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SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Sun Innovation Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Continuing operations			
Turnover	4	**39,051**	40,155
Cost of sales and services		**(53,918)**	(22,609)
Gross (loss)/profit		**(14,867)**	17,546
Other income and gains	5	**11,794**	4,268
Selling and distribution expenses		**(8,109)**	(257)
Administrative expenses and other net operating expenses		**(67,247)**	(57,842)
Finance costs	6	**(4,742)**	(4,730)
Fair value losses on investment properties, net		**(24,986)**	(182)
Write-back of allowance/(additional allowance) for doubtful debts		**391**	(9,175)
Loss before taxation		**(107,766)**	(50,372)
Taxation	7	**557**	(330)
Loss for the year from continuing operations		**(107,209)**	(50,702)

CONSOLIDATED INCOME STATEMENT *(continued)*

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Discontinued operation			
Loss for the year from discontinued operation		**–**	(14,087)
Loss for the year	8	**(107,209)**	(64,789)
Attributable to:			
Equity holders of the Company		**(107,117)**	(64,872)
Minority interests		**(92)**	83
		(107,209)	(64,789)
Dividend	8	**–**	–
Loss per share:	9		
From continuing and discontinued operations			
– Basic		**HK$(0.073)**	HK$(0.060)
From continuing operation			
– Basic		**HK$(0.073)**	HK$(0.047)

CONSOLIDATED BALANCE SHEET

AT 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,609**	4,252
Investment properties		**140,820**	164,440
Intangible assets		**392**	790
		144,821	169,482
Current assets			
Trading merchandise goods		**69**	37
Trade receivables, other receivables and prepayments	10	**19,182**	14,259
Bank balances and cash		**9,000**	13,868
		28,251	28,164
Current liabilities			
Trade payables, other payables and accruals	11	**30,763**	18,022
Bank and other borrowings		**48,763**	938
Convertible bonds		**–**	11,213
Tax payable		**521**	367
		80,047	30,540
Net current liabilities		**(51,796)**	(2,376)
Total assets less current liabilities		**93,025**	167,106
Non-current liabilities			
Bank and other borrowings		**34,980**	8,399
Convertible bond		**5,664**	–
Deferred tax liabilities		**5,369**	5,856
		46,013	14,255
Net assets		**47,012**	152,851
EQUITY			
Share capital		**147,004**	147,004
Reserves		**(101,943)**	3,804
Equity attributable to equity holders of the Company		**45,061**	150,808
Minority interests		**1,951**	2,043
Total equity		**47,012**	152,851

NOTES

1. Organisation and operations

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

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

2. Adoption of new and revised Hong Kong Financial Reporting Standards

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

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

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKAS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedge items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)

2. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

		Effective date
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iiii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfer of assets from customers received on or after 1 July 2009

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

3. Statement of compliance and basis of preparation of financial statements

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

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

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

The Company announced a proposed open offer to raise not less than approximately HK$55.13 million but not more than HK$64.95 million, before expenses.

3. **Statement of compliance and basis of preparation of financial statements** *(continued)*

The Group's unsecured revolving loan facility of HK$20,000,000 from Quants Inc, a substantial shareholder of the Company, has been renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010.

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

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

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

4. **Turnover and segment information**

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

	2008	2007
	HK$'000	*HK$'000*
Sale of goods	**2,413**	12,107
Rendering of services	**30,573**	27,494
Rental income	**6,065**	5,463
	39,051	45,064
Continuing operations	**39,051**	40,155
Discontinued operation	**–**	4,909
	39,051	45,064

Business segments

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

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

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

4. Turnover and segment information *(continued)*

Business segments *(continued)*

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

4. Turnover and segment information *(continued)*

Business segments *(continued)*

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

4. Turnover and segment information *(continued)*

Business segments *(continued)*

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

4. Turnover and segment information *(continued)*

Business segments *(continued)*

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

4. **Turnover and segment information** *(continued)*

Geographical segments

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

During the prior year, Japan operation became a discontinued operation.

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

	For the year ended 31 December 2008					
	Hong Kong	**Macau**	**Mainland China**	**USA**	**Elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	21,446	11,887	3,747	1,971	–	39,051
Capital expenditure	686	325	211	–	–	1,222

	As at 31 December 2008					
	Hong Kong	**Macau**	**Mainland China**	**USA**	**Elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	143,882	1,245	26,468	1,477	–	173,072

	For the year ended 31 December 2007					
	Hong Kong	Mainland China	USA	Japan	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	25,001	13,210	1,975	5,078	(200)	45,064
Capital expenditure	865	90	–	129	–	1,084

	As at 31 December 2007					
	Hong Kong	Mainland China	USA	Japan	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	167,778	27,069	1,154	1,645	–	197,646

5. Other income and gains

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

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

6. Finance costs

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

7. Taxation

	2008	2007
	HK$'000	*HK$'000*
Taxation in the consolidated income statement represents:		
Current taxation – overseas		
Current year	**182**	257
(Overprovision)/underprovision in respect of prior years	**(196)**	196
Deferred taxation		
Attributable to the origination and reversal of temporary differences	**(543)**	358
Resulting from a change in tax rate in Hong Kong	**–**	(270)
Taxation (credit)/charge for the year	**(557)**	541
Represented by:		
Tax (credit)/charge attributable to continuing operations reported in the consolidated income statement	**(557)**	330
Tax charge attributable to discontinued operation	**–**	211
Taxation (credit)/charge for the year	**(557)**	541

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

8. Loss for the year

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

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

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

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: HK$Nil).

9. Loss per share

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

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

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
From continuing and discontinued operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	**(107,117)**	(64,872)

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Number of issued ordinary shares at 1 January	**1,470,040,740**	90,173,056
Effect of open offer and share subdivision	**–**	866,849,649
Effect of shares issued through placement, exercise of share options and conversion of convertible bonds during the year	**–**	126,703,340
Weighted average number of ordinary shares as at 31 December	**1,470,040,740**	1,083,726,045

9. **Loss per share** *(continued)*

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
From continuing operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	**(107,117)**	(64,872)
Less: Loss for the year from discontinued operation	**–**	14,087
Loss for year for the purpose of basic loss per share from continuing operations	**(107,117)**	(50,785)

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

10. **Trade receivables, other receivables and prepayments**

	2008	2007
	HK$'000	*HK$'000*
Trade receivables, net of allowance	**5,979**	8,303
Other receivables and prepayments	**13,203**	5,956
	19,182	14,259

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

No interest is charged on trade receivables.

10. Trade receivables, other receivables and prepayments *(continued)*

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

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

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

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

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

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

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

11. **Trade payables, other payables and accruals**

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**20,695**	9,033
Other payables and accruals	**10,068**	8,989
	30,763	18,022

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

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

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

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

INDEPENDENT AUDITORS' OPINION

The opinion of the independent auditors' report on the consolidated financial statements for the year ended 31 December 2008 is as follows:

"In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

"Without qualifying our opinion, we draw attention to Note 3 to the financial statements which indicates that the Group incurred consolidated loss of HK$107,209,000 during the year ended 31 December 2008 and reported consolidated net current liabilities of HK$51,796,000 as at that date. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's success in implementing the measures as set out in Note 3 to improve its financial position and working capital."

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: HK$Nil).

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

For the year ended 31 December 2008, the turnover of the Group was HK$39,051,000, representing a decrease of 2.75% compared to that of last year (2007 continuing operation: HK$40,155,000). Loss for the year was approximately HK$107,209,000 (2007: HK$64,789,000). Due to the severe competition in leisure and entertainment events and media shopping industries and the declining financial markets in the year 2008, these factors have significant impact to the existing businesses of the Group.

Property Investment Segment

In the year under review, the Property Investment Segment generated stable income for the Group and recorded an increase in turnover of 11% to HK$6,065,000 (2007: HK$5,463,000), representing 16% of the Group's overall turnover during the review year. The profit of this Segment increased to HK$4,269,000, comparing to the last year. The increase was mainly due to the increase in renewed rental value.

The majority of properties of the Group located in Citicorp Centre in Hong Kong were leased out in 2008. In China, the Group held 20 service apartments in Suzhou, among which 14 out of the 20 apartments were rented out as at 31 December 2008. The Group has constantly reviewed the investment properties portfolio and rental mix of tenants in order to maximise the benefits to the shareholders.

Entertainment Media Segment

The turnover of the Entertainment Media Segment was HK$16,715,000, decreased by 34% (2007: HK$25,519,000). The loss of this Segment amounted to HK$657,000 (2007: HK$8,168,000). The decrease in turnover was mainly due to the discontinued operation of digital kiosk business in Japan and Hawaii in the year 2007.

The gross profit margin has improved as Cellcast (Asia) Limited ("Cellcast") switched the business model by using platform sales through telecommunication companies to reduce cost. Cellcast continues its leading position in the multi-media advertising, contents and services industries by operating the brand of Yeah Mobile and Ping Pong Boy, etc. Cellcast will diversify with more value added, competitive and customer oriented services to different customers in Hong Kong, Macau and overseas.

Leisure and Entertainment Events Segment

For the Leisure and Entertainment Events Segment, S.I. Macau Entertainment Company Limited ("SIME") had organised Miss Macau Pageant 2008 ("MM Pageant") and the 48th Miss International Pageant 2008 ("MI Pageant") on 7 September and 8 November 2008 respectively. The pageant events were great challenges to the Group in the year 2008 since the global economic environment became severe in the second half year. Due to the Beijing 2008 Olympic Games and Sichuan earthquake, the available funding from businesses partners or sponsors became very tight and difficult. The revenue of this Segment amounted to approximately HK$11,887,000 and loss of this business amounted to approximately HK$45,315,000. As the global and local business and financial environments have changed significantly since the fourth quarter of 2008, SIME did not renew the right for hosting the MI Pageant event for the year 2009.

The Group has difference in opinion with ING Co., Ltd. ("ING") in respect of ING's performance of the pageant hosting agreement dated 7 March 2008. All parties reached a consensus on the payment amount and schedule. On 17 April 2009, SIME signed a deed of settlement and variation with ING and Asia and Pacific Media Limited ("APM") (the "Deed") and SIME agreed to pay, in addition to the amount of annual fee already paid (which amounted to US$700,000 (equivalent to approximately HK$5,460,000)), US$1.45 million (equivalent to approximately HK$11,310,000) to APM, for itself and on behalf of ING, in full and final payment of the annual fee. The revised annual fee was reduced from US$3 million to US$2.15 million and the outstanding amount was US$1.45 million which was fully provided in the financial statements of the Group and grouped under the "trade payables" of the Consolidated Balance Sheet. Details of the terms of the Deed are disclosed in the Company's announcement dated 17 April 2009.

Media Shopping Segment

For the year under review, the turnover and loss of this Segment were approximately HK$2,413,000 (2007: HK$12,107,000) and approximately HK$1,882,000 (2007: HK$4,077,000) respectively. The substantial decrease in the turnover was caused by limitation to access the target customers, air time costs in various Chinese TV channels increased tremendously and also severe competition to obtain sufficient air time for promoting the merchandises and products to the customers in the first three quarters of 2008 because of the Beijing 2008 Olympic Games. However, the management utilised the strengths and synergy of this Segment for the MI Pageant under Leisure and Entertainment Events Segment. Through the business network connections and resources of this Segment, the Group has contracted with several TV channels in China for broadcasting the MI Pageant. These TV channels covered most of the major cities and provinces in China which could further promote the Group's image and business in China.

Telecommunication Segment

During the year under review, turnover from the Telecommunication Segment amounted to HK$1,971,000 (2007: HK$1,975,000). The Group holds user rights for a cable running between Japan and Hawaii and performed steadily by providing maintenance and support services to its bilateral correspondent in Japan.

Financial Services Segment

No turnover of this Segment was recorded for the year under review. The Group will continue to explore any potential business opportunities in 2009.

CAPITAL

The Company had issued two redeemable convertible bonds in the amount of HK$5,400,000 and HK$7,200,000 to Tackana Agents Limited ("Tackana CB") and Violet Profit Holdings Limited ("Violet Profit CB") respectively in March 2007. On 18 September 2008, the Company has fully redeemed the Tackana CB. On 26 September 2008, the Company entered into a supplemental subscription agreement (the "Supplemental Agreement") with Violet Profit to amend the maturity date, conversion price and redemption provision of the Violet Profit CB. The amendments were deemed as a new issue of convertible bond by the Stock Exchange of Hong Kong Limited although there was no raise of new capital or proceeds. Details of the Supplemental Agreement are disclosed in the Company's announcement dated 26 September 2008.

POST BALANCE SHEET EVENTS

In March 2009, the Company announced a proposed capital reorganisation (the "Capital Reorganisation") which would involve: (i) a share consolidation of every 20 issued and unissued existing shares of HK$0.10 each into one consolidated share of HK$2.00 each; (ii) a capital reduction of each issued consolidated share from HK$2.00 to HK$0.01 by canceling HK$1.99 of the paid-up capital on each issued consolidated share; and (iii) a share subdivision of each authorised but unissued consolidated share of HK$2.00 each (including the unissued consolidated shares arising from the capital reduction) into 200 adjusted shares of HK$0.01 each. Details of the Capital Reorganisation (including the proposed open offer with details stated in the next paragraph of this section) are disclosed in the Company's announcement dated 24 March 2009.

On 19 March 2009, the Company entered into an underwriting agreement with Emperor Securities Limited (the "Underwriter") and Mr. Michele Matsuda, Chairman of the Company, in respect of an open offer on the basis of five offer shares for every one adjusted share (the "Open Offer"). Pursuant to the underwriting agreement, the Underwriter has agreed to fully underwrite not less than 367,510,185 offer shares but not more than 432,975,825 offer shares, which have not been taken up by the shareholders of the Company, at the subscription price of HK$0.15 per offer share. The Open Offer will proceed after completion of the Capital Reorganisation. Details of the Open Offer are disclosed in the Company's announcement dated 24 March 2009 as mentioned in the above paragraph.

LIQUIDITY, FINANCE 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 from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

On 17 July 2008, the Group has revised the Hong Kong banking facilities by the forms of mortgage loan, revolving term loan and installment loan and the total banking facilities were increased to approximately HK$64 million. The repayment schedule was extended from twelve years to fifteen years.

As at 31 December 2008, the Group had banking facilities totalling approximately HK$64 million and unsecured revolving term loan facility of HK$20 million from a substantial shareholder. The Hong Kong banking facilities have been secured by the Group's Hong Kong investment properties with aggregate net book value of approximately HK$116 million, while the United States banking facility was secured by the personal guarantee of a director of the Company and an ex-director of a subsidiary up to the extent of HK$0.39 million. In addition, the Group and certain subsidiaries provided a bank of cross guarantees totalling HK$55 million in respect of a shared banking facility to be used by the Group and these subsidiaries. As at 31 December 2008, the available facilities were approximately HK$20 million.

As at 31 December 2008, the Group has short-term bank loans of approximately HK$28 million and long-term bank loans of approximately HK$35 million, cash and bank balances of approximately HK$9 million. The Group also has short-term non-bank loans of HK$20 million. All bank loans were at floating interest rates and all non-bank loans were at fixed interest rates. Most of the borrowings were denominated in Hong Kong dollars ("HKD") and less than 1% of all borrowings were denominated in the United States dollars ("USD"). The maturity profile of the Group's bank borrowings as at 31 December 2008 was spread over a period of fifteen years, with approximately 45% repayable within one year, 9% repayable between two to five years and 46% repayable over five years.

In January 2009, the Group fulfilled the obligation by repayment of HK$10 million to a bank according to terms and conditions stated in one of the Hong Kong banking facilities.

The Group's current assets as at 31 December 2008 were approximately HK$28.2 million while the current liabilities were approximately HK$80 million. As at 31 December 2008, the Group's current ratio was 0.35 (at 31 December 2007: 0.92).

The Group's gearing ratio, representing the Group's bank loans, non-bank loans and convertible bond divided by the equity attributable to equity holders of the Company, as at 31 December 2008 is 198% (at 31 December 2007: 13.6%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in HKD, Renminbi ("RMB"), Macau Pataca ("MOP"), USD and Japanese Yen ("JPY"). The exchange rates of MOP and USD against HKD remained relatively stable during the financial year under review. The Group has an exchange exposure to RMB because the Group's certain assets and business are located and operated in China and the revenues and expenses are in RMB. The Group is taking the view that the net exchange exposure from RMB appreciation will benefit the Group. Certain expenses of the Group incurred in JPY which has fluctuated in a relatively greater extent in the financial year under review. However, the amount of JPY expenses incurred are immaterial, the appreciation of the JPY against the HKD did not have material adverse effect on the operation of the Group for the financial year under review.

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

CONTINGENT LIABILITIES

As at 31 December 2008, the Company has only one outstanding litigation case. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the Directors are of the opinion that the case has been dormant for a number of years and is remote, and therefore no provision has been made in the financial statements in respect of the alleged claims.

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

EMPLOYEE OF THE GROUP

The Group has adopted a 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 31 December 2008, the total headcount of the Group was 76.

PROSPECT

Due to the severe economy environment after the financial turmoil, the Group will rationalise and streamline the existing structures and operation. At the same time, the Group will continue to strengthen the existing property-related business and entertainment-related business. The Group will continue actively exploring various business opportunities, including the realisation of any property investments, if any, and may diversify the businesses for medium to long term development and benefit to our valued shareholders and investors.

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

There has been no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2008.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). None of the Directors is aware of any information that would reasonable indicated the Company or any of its Directors is not or was not in compliance with the Code for the year ended 31 December 2008 except for the following:

(a) the chairman of the board of the Company is not subject to retirement by rotation pursuant to Bye-Law 87(1) of the Company's Bye-Laws; and

(b) there is no separation of the role of the chairman and the chief executive officer ("CEO"). Mr. Michele Matsuda is currently appointed as the Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development for the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board had adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code for the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting policies adopted by the Group and the financial statements of the Group for the year ended 31 December 2008.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company's investor relations at www.suninnovation.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report of the Company will be despatched to shareholders and available at the same websites in due course.

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

Hong Kong, 20 April 2009

As at the date of this announcement, Mr. Michele Matsuda and Mr. Leung To Kwong, Valiant are the executive directors; Mr. Shinji Yamamoto is the non-executive director and Mr. Zhou Ji, Jason, Professor Chen Tien-yiu, Theodore and Mr. Wong Tak Shing are the independent non-executive directors.