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 Sunny Global Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

SUNNY GLOBAL HOLDINGS LIMITED

新怡環球控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

MAJOR TRANSACTION

ACQUISITION OF SLS INVESTMENTS LIMITED

A notice convening the special general meeting of Sunny Global Holdings Limited to be held at the Function Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, New Territories, Hong Kong on Tuesday, 18 July 2006 at 9:00 a.m. is set out on pages 115 to 116 of this circular. Whether or not you are able to attend the special general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Sunny Global Holdings Limited in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the special general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish.

* *For identification purpose only*

30 June 2006

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
"Appraise Asia"	Appraise Asia Investments Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
"Asset Play"	Asset Play Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Lum Lap Kwan, Simon
"associate"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays) on which commercial banks are generally open for banking business in Hong Kong
"Bye-laws"	the bye-laws of the Company as currently adopted
"Company"	Sunny Global Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Sale and Purchase Agreement
"Consideration Shares"	300,000,000 new Shares to be issued as part of the consideration for the Sale Shares
"Contractual Agreements"	the Share Transfer Agreement, the Share Pledge Agreement and the Exclusive Technical and Consultancy Services Agreement collectively
"Debt"	a debt in the principal amount of RMB7,000,000 (approximately HK$6,731,000) plus accrued interest at a rate of 1% per annum owed by Tianxun to Asset Play as at 31 December 2005
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the SLS Group
"Exclusive Option"	the exclusive and irrevocable option to purchase the Tianxun Interest for an agreed amount to be granted by the PRC Nominee to Woda Taifeng pursuant to the Share Transfer Agreement

"Exclusive Technical and Consultancy Services Agreement"	the exclusive technical and consultancy services agreement to be entered into between Woda Taifeng and Tianxun pursuant to the Sale and Purchase Agreement
"Gala Success"	Gala Success (Asia) Limited, a company incorporated in Hong Kong
"Goldlite International"	Goldlite International Limited, a company incorporated in Samoa and an Independent Third Party
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Lum Lap Kwan, Simon and Ms. Wong Wai Wing, Stephanie, both of whom are Independent Third Parties
"Haidian"	北京市海淀區有線廣播電視網絡信息有限公司 (Beijing Haidian District Cable Television Broadcasting and Network Information Limited*), a company incorporated in the PRC
"Hikari"	Hikari International Limited, a company incorporated in the British Virgin Islands and an Independent Third Party
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party which is independent of the Company and connected persons (as defined under the Listing Rules) of the Company
"Latest Practicable Date"	27 June 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the loan agreement to be entered into between Woda Taifeng and the PRC Nominee pursuant to the Sale and Purchase Agreement
"PRC"	the People's Republic of China, which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"PRC Nominee"	the shareholder to be named by the Company to hold 70% equity interest in Tianxun pursuant to the Restructuring
"Purchaser"	Appraise Asia
"Restructuring"	the execution of the Contractual Agreements

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 20 February 2006 entered into between, among others, the Purchaser and the Vendors regarding the sale and purchase of the Sale Shares
"Sale Shares"	10,000 shares of US$1.00 each in the issued share capital of SLS, representing the entire issued share capital of SLS as at the Latest Practicable Date, owned as to 50% by Goldlite International, as to 25% by Wyndham Profit and as to 25% by Hikari
"SGM"	the special general meeting of the Company to be held to consider and approve the Acquisition and any transactions contemplated thereunder pursuant to the Listing Rules
"Share Pledge Agreement"	the share pledge agreement to be entered into between Woda Taifeng and the PRC Nominee pursuant to the Sale and Purchase Agreement
"Share Transfer Agreement"	the share transfer agreement to be entered into between Woda Taifeng and the PRC Nominee pursuant to the Sale and Purchase Agreement
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"SLS"	SLS Investments Limited, a company incorporated in the British Virgin Islands
"SLS Group"	SLS and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianshi"	北京天視凌雲技術開發有限公司 (Beijing Tianshi Lingyun Technology Development Company Limited*), a company incorporated in the PRC and an Independent Third Party
"Tianxun"	北京天迅視通科技發展有限公司 (Beijing Tianxun Shitong Technology Development Company Limited*), a company incorporated in the PRC and an Independent Third Party
"Vendors"	Goldlite International, Wyndham Profit and Hikari collectively

"Woda Taifeng"	北京沃達泰豐咨詢有限公司 (Beijing Woda Taifeng Consultation Company Limited*), a sino-foreign equity joint venture
"Wyndham Profit"	Wyndham Profit International Limited, a company incorporated in the British Virgin Islands and an Independent Third Party
"%"	per cent

Unless otherwise specified in this circular and for the purpose of illustration only, RMB is translated to HK$ at the rate of HK$1.00 = RMB1.04, respectively. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates or at all.

** For identification purpose only*

SUNNY GLOBAL HOLDINGS LIMITED
新怡環球控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1094)

Executive Directors:
Mr. Lee Man Fa *(Chairman)*
Mr. Kwok Ming Fai
Mr. Yan Wa Tat
Mr. Tai King Foon

Independent Non-executive Directors:
Mr. Leung Sai Cheong
Mr. Liu Kwok Wah
Mr. Wong Chi Chung

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong
13th Floor
Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

To the Shareholders

30 June 2006

Dear Sir/Madam,

MAJOR TRANSACTION
ACQUISITION OF SLS INVESTMENTS LIMITED

INTRODUCTION

On 20 February 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with, among others, the Vendors. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire equity interest in SLS, from Goldlite International, Wyndham Profit and Hikari at a total consideration of HK$54,000,000. As the applicable percentage ratios for the Acquisition are greater than 25% and lower than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to the relevant reporting and announcement requirements and conditional on the approval of the Shareholders at the SGM under Chapter 14 of the

* *For identification purpose only*

Listing Rules. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there are no parties acting in concert with the Vendors and the Guarantors regarding the Acquisition, and accordingly, the issue of the Consideration Shares to the Vendors will not have any implications under The Codes on Takeovers and Mergers and Share Repurchases.

THE SALE AND PURCHASE AGREEMENT

Date:	20 February 2006
Vendors:	Goldlite International Wyndham Profit Hikari
Purchaser:	Appraise Asia, a wholly-owned subsidiary of the Company
Guarantors:	Lum Lap Kwan, Simon, the sole shareholder of Goldlite International and 45% shareholder of Hikari Wong Wai Wing, Stephanie, the sole shareholder of Wyndham Profit and 55% shareholder of Hikari Both Guarantors are Independent Third Parties and do not hold any Shares as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all Vendors and their respective beneficial shareholders are Independent Third Parties and no information is in the possession of the Company which suggests that the Guarantors are in any way related to each other as at the Latest Practicable Date.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire equity interest of SLS, from Goldlite International, Wyndham Profit and Hikari, at a total consideration of HK$54,000,000. Upon Completion, Asset Play would also assign its rights, title and interest in the Debt to the Purchaser or its nominee at a consideration of HK$1.

Consideration

The consideration for the Acquisition shall be HK$54,000,000 and would be settled as follows:

1. the amount in the sum of HK$5,000,000 has been paid to the Vendors (or their nominees) in the amount proportionate to their respective equity interests in the Sale Shares in cash upon signing of the Sale and Purchase Agreement;

2. the amount in the sum of HK$7,000,000 shall be payable to the Vendors (or their nominees) in the amount proportionate to their respective equity interests in the Sale Shares in cash within 3 Business Days from the date of the SGM; and

3. the balance of HK$42,000,000 for the Sale Shares shall be satisfied on the date of Completion by the issue and allotment of the 300,000,000 Consideration Shares at an issue price of HK$0.14 per Share, credited as fully paid at par to the Vendors or their nominees as they may direct in the amount proportionate to their respective equity interests in the Sale Shares. The Consideration Shares to be allotted and issued will represent approximately 26.09% and 20.69% of the existing and enlarged issued share capital of the Company respectively. There are no restrictions on the subsequent sale of the Consideration Shares by the Vendors.

The issue price of HK$0.14 per Consideration Share represents a premium of approximately 75.0% over the closing price of the shares of HK$0.08 on the Latest Practicable Date, a premium of approximately 15.7% over the closing price of the Shares of HK$0.121 on 26 January 2006, being the last trading day prior to the issuance of the announcement of the Company in relation to the Acquisition dated 20 February 2006 (the "Announcement"), and a premium of approximately 17.6% over the average closing price of the Shares of HK$0.119 as quoted on the Stock Exchange for the five consecutive trading days up to and including 26 January 2006, being the last trading day prior to the suspension of trading in the Shares pending the issuance of the Announcement. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. Mr. Lee Man Fa will remain as the single largest Shareholder after the issuance of the Consideration Shares.

The consideration for the Sale Shares, and the issue price per Consideration Share were arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The consideration was determined after taking into account the nature of business of the SLS Group, economic factors affecting its business, its current stage of development and future performance, the prospects of providing broadband Internet access services in the PRC, as well as the current and future size of broadband Internet access user base in Beijing, the PRC. Furthermore, as a condition precedent to the Sale and Purchase Agreement, the value of the SLS Group, which should not be less than HK$54 million, had already been appraised by Grant Sherman Appraisal Limited, an independent professional valuer.

As stated in the section headed "Shareholding structure" below, Woda Taifeng was converted into a sino-foreign equity joint venture on 31 August 2005 when Gala Success acquired 89% equity interest in Woda Taifeng as part of the reorganization of the SLS Group conducted by the Vendors. The consideration paid by Gala Success at that time was approximately RMB1.3 million (approximately HK$1.28 million). However, according to the unaudited consolidated balance sheet of SLS Group as at 31 December 2005, the book value of Haidian was approximately HK$7.1 million. Furthermore, as also explained below in the subsection headed "Business cooperation arrangement", Woda Taifeng is entitled to 70% of the connection fees and monthly service fees paid by subscribers for services to Haidian beginning on 1 January 2006. In addition, during the course of the reorganization of the SLS Group by the Vendors, Asset Play lent to Tianxun the Debt so that Tianxun could acquire 40% equity interest in Haidian. As stated above, the Debt would be assigned to the Purchaser for HK$1 upon Completion. Therefore, the Vendors effectively paid an additional RMB7 million to effect the above reorganization. As such, the Directors consider that the consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon, among others, the satisfaction of the following conditions:

1. the Purchaser completing to its own satisfaction of a due diligence investigation into the business, assets and the affairs of SLS, Gala Success, Woda Taifeng, Tianxun and Haidian;

2. the Vendors having complied fully with and otherwise having performed all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement prior to Completion, including but not limited to their obligations to effect the Restructuring;

3. the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Consideration Shares;

4. the Shareholders approving the Sale and Purchase Agreement, the issue and allotment of the Consideration Shares to the Vendors and the Acquisition and all other transactions contemplated thereunder in compliance with the Listing Rules at the SGM;

5. the Purchaser receiving PRC legal opinions issued by PRC law firms acceptable to the Purchaser confirming the due incorporation of Woda Taifeng, Tianxun and Haidian, and all licences, permits and approvals which are relevant to their businesses are valid and subsisting and that the Acquisition complies with the PRC laws and regulations;

6. all consents or approvals, if any, including but not limited to consents or approvals of the State Administration for Industry and Commerce of the PRC, any other relevant government authorities, relevant regulatory bodies, banks or creditors in Hong Kong and other relevant jurisdictions, which are required for the entering into and the implementation of the Sale and Purchase Agreement and any transactions contemplated thereunder having been obtained; and

7. the receipt by the Purchaser of a valuation report on the business of SLS Group as at 31 December 2005 of not less than HK$54,000,000 to be performed by Grant Sherman Appraisal Limited, an independent professional valuer, acceptable to the Purchaser on or before 13 March 2006.

The Purchaser is entitled to waive the above condition 1 by giving written notice to the Vendors. As at the Latest Practicable Date, except for conditions 3 and 4, all other conditions in the above have been fulfilled.

Guarantee provided by the Guarantors

Lum Lap Kwan, Simon and Wong Wai Wing, Stephanie irrevocably guarantee to the Purchaser as the principal obligors of the due observance by Goldlite International, Wyndham Profit and Hikari respectively of all of their respective undertakings and warranties under or pursuant to the Sale and Purchase Agreement.

Completion

It is expected that the Sale and Purchase Agreement will be completed on or before 31 July 2006.

INFORMATION ON THE GROUP

The Group is principally engaged in the design and trading of a wide range of leisure and athletic footwear. The Group is also engaged in the information technology business including the provision of system integration services, facility management services and information technology infrastructure network development in the PRC and Hong Kong.

INFORMATION ON THE SLS GROUP

SLS is an investment holding company which is the sole beneficial and registered owner of Gala Success. SLS is owned as to 50% by Goldlite International, 25% by Wyndham Profit and 25% by Hikari. Gala Success is also an investment holding company and holds approximately 89% equity interest in Woda Taifeng. Both SLS and Gala Success did not have any operations save for the holding of their respective direct subsidiary. Woda Taifeng is a sino-foreign equity joint venture established in the PRC and holds 70% of the equity interest in Tianxun. Woda Taifeng is engaged in the provision of system development and integration and consulting services on Internet network and applications development. Tianxun's main operation is the holding of 40% equity interest in Haidian and is its single largest shareholder. To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the remaining shareholders of Woda Taifeng, Tianxun and Haidian, as specified in the shareholding structure below, and their respective ultimate shareholders are Independent Third Parties.

Financial information

SLS was incorporated in the British Virgin Islands on 1 July 2004. Consolidated net profits before and after tax for the same period were approximately HK$922,000 and HK$921,000 respectively. It had audited consolidated total assets of approximately HK$9,348,000, total liabilities of HK$8,020,000 and net assets of HK$1,328,000 as at 31 December 2005.

Since SLS was incorporated on 1 July 2004, it had merely recorded an audited consolidated net loss before and after tax for the year ended 31 December 2004 of approximately HK$10,000; while its consolidated net liabilities were also approximately HK$10,000 as at 31 December 2004. There were no extraordinary items existing during each of the period ended 31 December 2004 and the year ended 31 December 2005.

The majority of the liabilities of SLS is the Debt of approximately HK$6,731,000 due to Asset Play. As mentioned above, Asset Play would assign its rights, title and interest in the Debt to the Purchaser upon Completion. Haidian was incorporated in the PRC on 8 March 2000. The following table shows its financial information for the three years ended 31 December 2005 which were audited by 北京天同信會計師事務所有限公司, a firm of certified public accountants in the PRC:

	As at 31 December 2005 *RMB*	**As at 31 December 2004** *RMB*	**As at 31 December 2003** *RMB*
Assets	62,262,819	41,731,528	39,980,779
Liabilities	30,028,151	10,641,432	10,165,348
Net assets	32,234,668	31,090,096	29,815,431

	For the year ended 31 December 2005 *RMB*	**For the year ended 31 December 2004** *RMB*	**For the year ended 31 December 2003** *RMB*
Revenue	12,700,471	10,514,277	7,120,223
Gross profit	6,982,263	6,943,664	4,026,173
Administrative costs	5,754,079	5,548,846	3,174,764
Net profit before tax and extraordinary items	1,235,615	1,400,540	865,662
Net profit after tax and extraordinary items	1,134,139	1,274,665	793,551

Management discussion and analysis

SLS Group are principally engaged in the provision of telecommunication value added services and Internet technology consultancy services. SLS Group had merely recorded an audited consolidated net loss of HK$10,000 for the year ended 31 December 2004, which was mainly incurred for its formation in the year of its incorporation.

For the year ended 31 December 2005, SLS Group recorded turnover of approximately HK$385,000 which was mainly attributable to Tianxun. SLS Group had incurred operating and administrative expenses of approximately HK$617,000 mainly relating to the costs of the Restructuring of approximately HK$337,000 for the year ended 31 December 2005. Pursuant to the Acquisition, an excess of the SLS Group's interest in the fair value of net identifiable assets acquired over the cost of combination of approximately HK$1.4 million was generated. Following the Acquisition, the SLS Group shared the loss of Haidian attributable to the SLS Group in an amount of approximately HK$172,000. As a result of the foregoing, the SLS Group had a net profit after tax and profit attributable to equity holders of SLS of approximately HK$921,000 and HK$988,000 respectively for the year ended 31 December 2005.

Significant investments and their business outlook and prospects

On 1 July 2005, the SLS Group acquired 100% of the paid in capital of Gala Success, an investment holding company. On 19 August 2005, Gala Success acquired 89% of the registered capital of Woda which is principally engaged in investment holding and provision of telecommunication value added services and Internet technology consultancy services. The acquired business contributed revenues of approximately HK$385,000 and consolidated loss after taxation of approximately HK$368,000 which included the group of subsidiaries.

The main investments and business activities of SLS Group are of two folds: - one is for holding the indirect economic interest in Haidian through Woda Taifeng, which represents a total of 24.92% effective equity interest in the former while the others, is the provision of consulting and technical services by Woda Taifeng to Haidian. The focus of the Group's investment in Haidian's business through SLS Group remains as assisting Haidian in the development of its expanded Internet services networks by means of providing expanded expertise in research and immediate access to innovative internet technologies as well as sourcing raw materials and necessary network equipments for the expanded networks. The Group's principal financial objective is to use a minimized expenditure based model in providing technical consultation services and sourcing materials through Woda Taifeng in the development of the internet networks for Haidian. This includes adopting an out-sourcing approach in soliciting updated expertise in the related area and obtaining benefits from economies of scale in joint purchasing, raw materials procurement by co-ordinating with the IT business division within the Group so that the business in SLS Group and the IT business within the Group can achieve considerable revenue and cost-saving synergy. The Group expects to expand in the provision of technical support and implementation provision of installation accessories and hardware/software for the networks connection project.

Business and geographical segments

The SLS Group's operation is regarded as a single business segment which is the provision of Internet technology consultancy services.

Analysis of the SLS Group's revenue and results as well as analysis of the carrying amount of segment assets and capital additions by geographical market has not been presented as they are substantially generated from or situated in the PRC.

Liquidity and financial resources

As at 31 December 2005, the SLS Group maintained cash and bank balances of approximately HK$1.0 million (2004: HK$2,000) without any interest-bearing borrowings (2004: nil). As such, the gearing ratio of SLS Group as at 31 December 2004 and 2005 was nil.

During the year ended 31 December 2005, the SLS Group had (i) allotted 9,999 ordinary shares to its shareholders at total consideration of approximately HK$78,000 and (ii) advances from the shareholders and a related company of approximately HK$1.2 million and HK$6.3 million.

As at 31 December 2005, the SLS Group's current assets and current liabilities were approximately HK$2.2 million and HK$1.7 million respectively, representing net current assets of approximately HK$563,000 (2004: net liabilities of HK$10,000) and current ratio of 1.3 times (2004: 16.7%). In terms of liquidity level, approximately 46.7% of the current assets as at 31 December 2005 were bank balances. As such, the Directors consider that the SLS Group had maintained a healthy liquidity position as at 31 December 2005.

Capital structure

During the year ended 31 December 2005, SLS had allotted 9,999 ordinary shares to its shareholders at US$1.0 (or approximately HK$7.8) each for consideration of approximately HK$78,000, which had been fully paid up. The capital of the SLS comprises ordinary shares only. Except for the advances from shareholders and a related company of approximately HK$1.2 million and HK$6.3 million respectively, SLS and SLS Group did not have other borrowings and long-term debts.

Pledge of assets

As at 31 December 2005, none of the assets of SLS Group was pledged to secure any banking facilities or any other borrowings.

Contingent liabilities

The SLS Group had no significant contingent liabilities as at 31 December 2005.

Foreign exchange exposure

Since the major subsidiaries of the SLS Group operate in the PRC with most of the transactions denominated in Renminbi. The SLS Group is exposed to foreign exchange risk arising from the exposure of Renminbi against the Hong Kong dollars. It has not hedged its foreign exchange rate risk. However the management of SLS Group monitors foreign exchange exposure and will consider hedging significant currency exposure should the need arises. As such, the Directors do not consider the SLS Group is exposed to any material foreign exchange risk.

Employee information

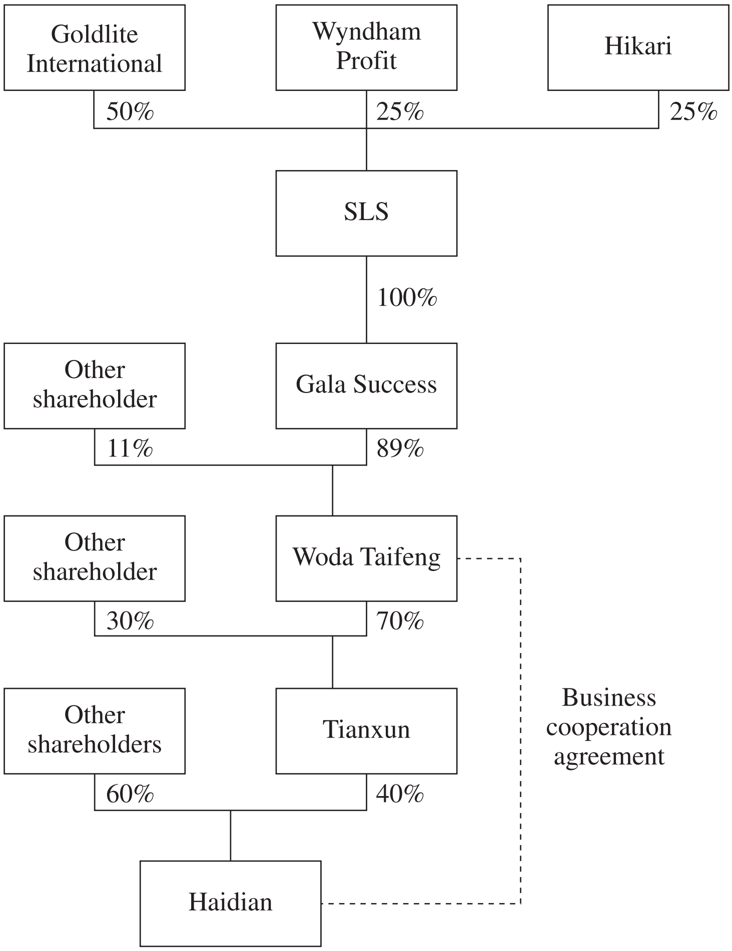
The SLS Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merits and their development potential for positions offered. As at 31 December 2005, the SLS Group employed approximately 3 staff.

Business cooperation arrangement

On 9 August 2005, Haidian and Woda Taifeng entered into a business cooperation agreement to assist Haidian in developing its operations. The term of the agreement commenced on 1 January 2006 for a period of nine years, and which can be extendable upon its expiry on 31 December 2014 by mutual agreement between Haidian and Woda Taifeng. Pursuant to the agreement, Woda Taifeng would provide technical support to Haidian including advising on network management and optimization, system design and installation for development of Haidian's broadband network in Beijing, the PRC. Haidian would be mainly responsible for data center maintenance, customer service and collection of fees from customers. Initially, Woda Taifeng would be entitled to 70% of the connection fees and monthly service fees paid by subscribers for services to Haidian in return for Woda Taifeng's provision of the aforesaid consultancy services. This revenue sharing arrangement only applies to new customers subscribing to Haidian's services on or after 1 January 2006. There would be no revenue sharing regarding fees collected from customers who have signed up prior to that date. Since Haidian has been generating profits for the past three years, the Directors believe that this business cooperation arrangement would not adversely affect its financial performance.

Shareholding structure

The shareholding structure of SLS Group as at the Latest Practicable Date is as follows:



Under the relevant PRC laws and regulations, a wholly foreign-owned company is not permitted to engage in the provision of telecommunication value added services in the PRC. Furthermore, regarding any sino-foreign joint venture engaging in the provision of telecommunication value-added services in the PRC, the foreign shareholder cannot own more than 50% equity interest in such PRC joint venture to provide the above products or services. Therefore, the Vendors reorganized the SLS Group, which involved the following: (i) Tianxun acquired 40% equity interest in Haidian on 29 July 2005 at a consideration of RMB7 million from Tianshi, a shareholder currently holding 30% equity interest in Haidian; (ii) Woda Taifeng then acquired 70% equity interest in Tianxun on 12 August 2005 at a consideration of RMB140,000 from Mr. Liu Ligang, an Independent Third Party; and (iii) Gala Success paid approximately RMB1.3 million to acquire an 89% equity interest in Woda Taifeng on 31 August 2005, and thereby converting Woda Taifeng into a sino-foreign equity joint venture. Neither the Group nor the Directors were involved in the reorganization of SLS Group. To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, none of the remaining shareholders of Haidian or their respective ultimate beneficial owners are foreign companies.

Restructuring

As stated above, Completion is conditional upon the successful restructuring of SLS Group. As at the Latest Practicable Date, Woda Taifeng and the PRC Nominee had entered into the Share Transfer Agreement, Loan Agreement and Share Pledge Agreement. Woda Taifeng and Tianxun had also entered into the Exclusive Technical and Consultancy Services Agreement. A description of the above agreements is as follows:

1. *Share Transfer Agreement*

Woda Taifeng and the PRC Nominee had entered into the Share Transfer Agreement, pursuant to which Woda Taifeng had transferred its 70% equity interest in Tianxun (the "Tianxun Interest") to the PRC Nominee at a consideration of RMB140,000 (approximately HK$135,000). The consideration was determined with reference to, and is equivalent to, the original cost of investment by Woda Taifeng for 70% equity interest in Tianxun. After completion of the Share Transfer Agreement, Woda Taifeng would no longer have any equity interest in Tianxun. To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the PRC Nominee is an Independent Third Party.

As part of the terms and conditions of the Share Transfer Agreement, the PRC Nominee would grant to Woda Taifeng the Exclusive Option to purchase the Tianxun Interest for an agreed amount, subject to compliance with PRC laws and regulations. Woda Taifeng can exercise the Exclusive Option at anytime from the time it becomes effective. Pursuant to this agreement, and since the Tianxun Interest would be pledged by the PRC Nominee as security for the Loan Agreement, the PRC Nominee cannot dispose of the Tianxun Interest or pledge it as security for any other obligation without the written approval of Woda Taifeng.

The PRC nominee would also execute an irrevocable power of attorney in favor of a representative to be appointed by the Group. This representative shall then have the full power and authority to exercise all of the rights attached to a shareholder, director and chief executive of Tianxun.

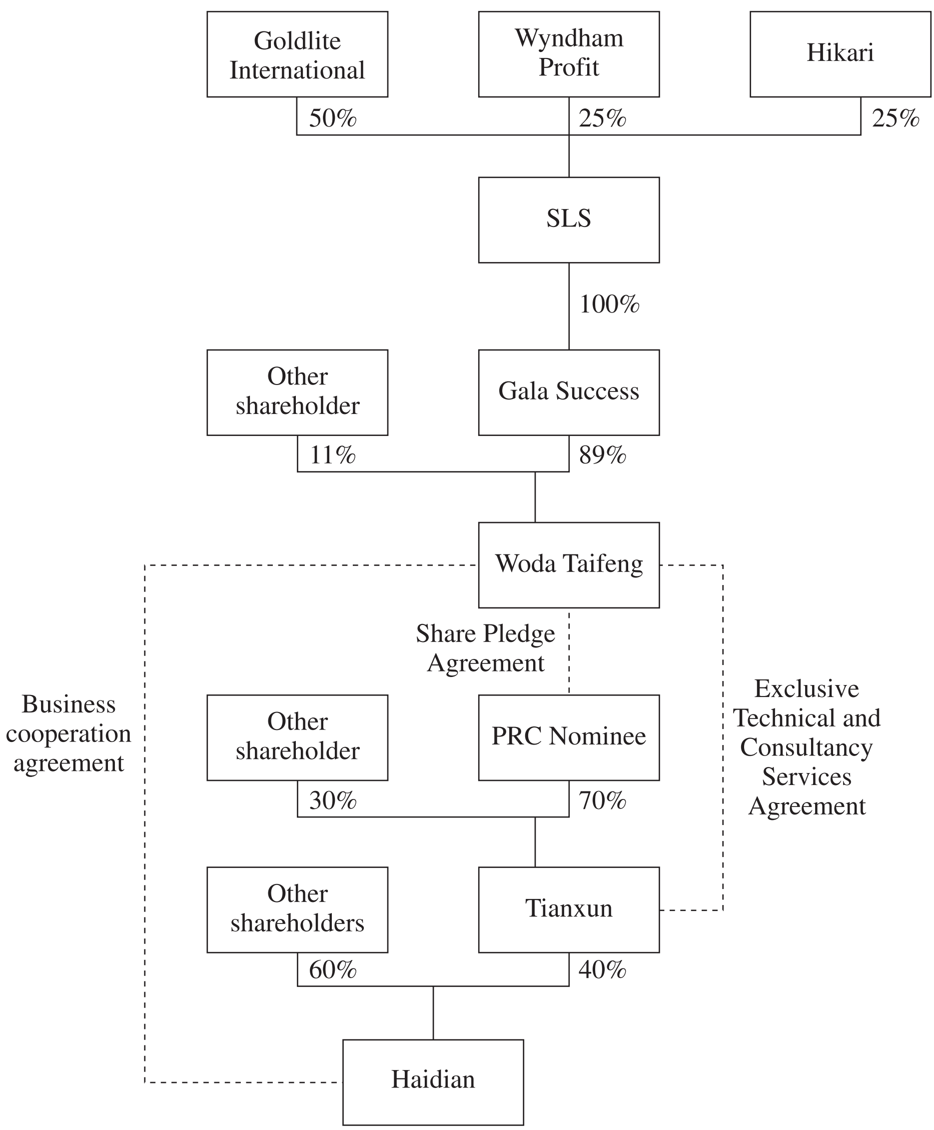
2. *Loan Agreement and Share Pledge Agreement*

Woda Taifeng had lent to the PRC Nominee RMB140,000 to finance the purchase of the Tianxun Interest. The loan is interest free, and has a term of 20 years beginning from 21 February 2006. As security for the Loan Agreement, the PRC Nominee would pledge the Tianxun Interest to Woda Taifeng.

3. *Exclusive Technical and Consultancy Services Agreement*

Pursuant to the Exclusive Technical and Consultancy Services Agreement dated 21 February 2006, Woda Taifeng would provide various services to Tianxun including Internet application development, technical support, management consulting and providing training for Tianxun's technical personnel. In return for the above services, Tianxun would pay 70% of its revenues and investment income to Woda Taifeng as service fees. Through this agreement, Woda Taifeng would be able to receive economic benefits from Tianxun and any distributions from Haidian even without actual shareholding in Tianxun. The Exclusive Technical and Consultancy Services Agreement is valid for ten years until its expiry on 20 February 2016, and which can be extendable at the full discretion of Woda Taifeng by serving unilateral notice to Tianxun.

Upon completion of the restructuring, the shareholding structure of SLS Group would be as follows:



As shown in the chart above, Woda Taifeng would not have any shareholding in Tianxun or Haidian. However, through the series of contracts above, it would be able to control and receive economic benefits from Tianxun. Woda Taifeng would also have exclusive rights to acquire the Tianxun Interest.

Shareholders should note that SLS, Gala Success and Woda Taifeng are considered foreign persons or foreign funded enterprises under the PRC laws. As stated below, PRC laws and regulations restrict foreign ownership of companies that provide value added telecommunication services to a maximum of 50%. Therefore, the SLS Group operates its business through Tianxun, which in turn is the largest shareholder in Haidian. SLS Group would not have any shareholding interests in these companies upon completion of the Restructuring but would enjoy the economic benefits of these companies through the Contractual Agreements. These companies conduct substantially all of SLS Group's operations and hold licenses and approvals that are crucial to SLS Group's operations. Through the Contractual Agreements, Woda Taifeng would gain effective control over the management and decision making of Tianxun, and SLS would therefore be able to consolidate it when preparing its consolidated financial statements.

According to the Company's PRC legal adviser, the above shareholding structure and the arrangements pursuant to the Contractual Agreements are in compliance with existing PRC laws, rules and regulations. However, shareholders should be aware that there is uncertainty over the interpretation and application of the relevant PRC laws and regulations as amended from time to time. Any administrative or legal actions against the SLS Group could materially affect its business, financial condition and results of operations.

INFORMATION ON THE VENDORS

The Vendors are investment holding companies and have no business or operations save for the holding of equity interests in SLS.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, Wyndham Profit, Goldlite International, Hikari, their ultimate beneficial owners and the Guarantors are Independent Third Parties.

SHAREHOLDING OF THE COMPANY IMMEDIATELY BEFORE AND AFTER COMPLETION

Name	Number of Shares interested as at the Latest Practicable Date	Approximate percentage of the existing issued share capital of the Company	Number of Shares interested immediately after Completion	Approximate percentage of the enlarged issued share capital of the Company
Info Fortune Holdings Limited[(1)]	196,792,000	17.11%	196,792,000	13.57%
Rainbow Bridge Group Limited[(1)]	105,708,000	9.19%	105,708,000	7.29%
Grandtech Management Limited	160,544,458	13.96%	160,544,458	11.07%
Win Power Limited	95,360,000	8.29%	95,360,000	6.58%
Jet Palace Development Limited	120,000,000	10.44%	120,000,000	8.28%
Goldlite International[(2)]	—	—	150,000,000	10.35%
Wyndham Profit[(2)]	—	—	75,000,000	5.17%
Hikari[(2)]	—	—	75,000,000	5.17%
Public	471,595,542	41.01%	471,595,542	32.52%
Total	1,150,000,000	100.00%	1,450,000,000	100.00%

Note 1: Both Info Fortune Holdings Limited and Rainbow Bridge Group Limited are wholly owned by Mr. Lee Man Fa.

Note 2: To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the ultimate beneficial shareholders of Goldlite International, Wyndham Profit and Hikari, save for their shareholding interests in Hikari, are not related to one another.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that the information technology business of the Group would be strengthened by the Acquisition. The Acquisition is expected to provide a source of income to the Group, as well as a platform for more participation in information technology and telecommunication value added services in the PRC. The Directors believe that there is increasing demand for high quality Internet broadband services as well as promising growth and potential in the information technology market in the PRC. The Company will continue to explore business opportunities with good prospects to enhance the Group's information technology business in the PRC.

According to independent research performed by Shanghai iResearch Co., Ltd. ("iResearch"), an independent research firm in the PRC specializing in Internet data, statistics and analysis, Internet users in the PRC in 2004 only amounted to about 8% of the entire population of the PRC. This is well below the 40% to 60% for developed countries and the world average of 12%. iResearch expects

Internet users in the PRC to grow from about 104 million in 2004 to about 205 million by 2007, representing a compound annual growth rate ("CAGR") of about 25%. Furthermore, broadband users in the PRC only amounted to about 26 million in 2004. This figure is expected to reach 88 million by 2007, representing a CAGR of over 50%.

The provision of Internet access in the PRC is highly regulated by the government. Under the relevant PRC laws, a wholly foreign-owned company cannot provide telecommunication value added services in the PRC. Furthermore, the foreign shareholder cannot own more than 50% equity interest in any joint venture to provide the above products or services. Haidian already owns and has license to operate its proprietary fiber optic network. According to the information provided by the Vendors, Haidian's network has a capacity of about 150,000 users but is currently only about 11.3% utilized and therefore has capacity to support more subscribers. Therefore, the Company only needs to provide resources and manage the SLS Group to capture its potential. The Company believes that it would take the Group several years as well as considerable resources to build its own fiber optic network of comparable scale. As such, the Acquisition would enable the Group to gain immediate access to a broadband network and capture the growth of the broadband Internet access market in Beijing, the PRC in the coming few years, especially the opportunities brought about by the Beijing Olympics in 2008. Taking into account the relatively small penetration rate of broadband Internet access in the PRC and expected growth of the industry, the Directors believe that the business of the SLS Group would grow significantly in the future.

After Completion, the Company will provide the managerial skills and other resources to develop the SLS Group and its businesses. The Directors believe that new management with expertise in the broadband Internet service industry will strengthen and improve the SLS Group's operations while new resources will increase their scale. Combined with the growth in the industry in the PRC, the Directors believe that the SLS Group will provide a new source of income for the Company in the future.

As stated above, Tianxun has a 40% equity interest in Haidian and is its single largest shareholder. The Company would then have effective control of Tianxun upon Completion through its equity interest in SLS. Furthermore, through a business cooperation agreement (please see section above for details), Woda Taifeng would provide technical support to Haidian in developing its fiber-optic network. In return, Woda Taifeng would be entitled to 70% of the connection fees and monthly fees earned by Haidian from new customers subscribing to Haidian's services on or after 1 January 2006. This would enhance the Group's income, as the Directors believe that the SLS Group would contribute to the Group's information technology business segment.

The Directors consider that the terms of the Sale and Purchase Agreement, including the consideration, are fair and reasonable and on normal commercial terms and that the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS ON THE GROUP

Assets and liabilites

Set out in Appendix IV to this circular is an unaudited pro forma statement of consolidated assets and liabilities of the Enlarged Group. Upon completion of the Acquisition, the pro forma unaudited consolidated total assets of the Enlarged Group would be increased by approximately 47.0% from approximately HK$80.4 million to approximately HK$118.2 million; while its pro forma consolidated total liabilities would also be increased by approximately 23.6% from approximately HK$7.2 million to approximately HK$8.9 million, based on the audited consolidated assets and liabilities of the Group as at 30 September 2005.

Earnings

Upon completion of the Acquisition, the financial results of the SLS Group will be consolidated into the consolidated financial statements of the Group. While there is no immediate material impact on earnings of the Group, the Directors believe that the Acquisition would enhance the Group's business diversification into the information technology arena and in the market in the PRC.

PROSPECTS OF THE ENLARGED GROUP

Going forward, the Group expects to continue to face considerable challenges in its footwear business. As disclosed in the Group's annual report for the year ended 30 September 2005, it will pursue a more prudent strategy to tighten cost controls so as to generate a reasonable rate of return.

On the other hand, the Acquisition is part of the Group's efforts to diversify its operations into the information technology arena. Leveraging on SLS Group's broadband Internet infrastructure, the Enlarged Group expects to gain a source of income and a platform to continue to build its information technology business. The Group will continue to explore business opportunities to enhance its information technology portfolio to capture the potential growth in the market in the PRC and Hong Kong.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios for the Acquisition are greater than 25% and lower than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to the relevant reporting and announcement requirements and conditional on the approval of the Shareholders at the SGM under chapter 14 of the Listing Rules. No Shareholder is required to abstain at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there are no parties acting in concert with the Vendors and/or the Guarantors regarding the Acquisition, and accordingly, the issue of the Consideration Shares to the Vendors will not have any implications under The Codes on Takeovers and Mergers and Share Repurchases.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors therefore recommend the Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM.

SGM

A notice convening the SGM to be held at the Function Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, New Territories, Hong Kong on Tuesday, 18 July 2006 at 9:00 a.m. is set out on pages 115 to 116 of this circular for the purpose of considering and, if thought fit, passing the relevant ordinary resolution.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

DEMAND FOR POLL AT THE SGM

Pursuant to Bye-law 66 of the Bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(i) be the chairman of such meeting; or

(ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Share on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
Sunny Global Holdings Limited
Lee Man Fa
Chairman

The following is the texts of the letter and valuation certificates received from Grant Sherman Appraisal Limited in connection with their valuation of SLS Group.

GRANT SHERMAN APPRAISAL LIMITED

30 June 2006

The Board of Directors
Sunny Global Holdings Limited
13th Floor
Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of a 100% equity interest in the business enterprise of SLS Investments Limited ("SLS" or the "Company"). SLS is primarily engaged in (i) the provision of consulting and technical services to Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Haidian") in Beijing, the People's Republic of China (the "PRC") through its 89%-owned joint venture company, Beijing Woda Taifeng Consultation Company Limited ("Woda Taifeng"); and (ii) investment holding of an indirect economic interest that translates into a 24.92% effective equity interest in Haidian. Haidian is a local fiber-optic network and broadband products and services provider in Beijing, the PRC.

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Business enterprise value is defined for this appraisal as the total invested capital, excluding debts but including shareholders' loans, and is equivalent to shareholders' equity plus shareholders' loans. The fair market value of a 100% equity interest in the business enterprise of SLS is derived based on the expected future economic benefit to which the owner(s) of SLS will be effectively entitled to after accounting for the effects of discount for both lack of marketability and controlling power.

The purpose of this appraisal is to express an independent opinion of the fair market value of a 100% equity interest in the business enterprise of the Company as of 31 March 2006. It is our understanding that this appraisal will be used for acquisition purposes.

INTRODUCTION

The Company

SLS was incorporated in July 2004 in British Virgin Islands ("BVI") which is primarily engaged in the provision of consulting and technical services to Haidian in Beijing, the PRC, through Woda Taifeng. Its major asset is investment holding of an indirect economic interest that translates into a 24.92% effective equity interest in Haidian.

On 9 August 2005, Woda Taifeng signed a cooperative agreement with Haidian (the "Cooperative Agreement"), pursuant to which Woda Taifeng agreed to provide consulting and technical services to Haidian and bear the responsibility for sourcing of materials and provision of necessary network equipment for the expansion of Internet services provided by Haidian; and in return, Woda Taifeng is entitled to share a predetermined portion of revenue generated from installation fees and monthly/annual service fees obtained from both residential and commercial subscribers connected to the new network for a period of 9 years expiring on 31 December 2014. This Cooperative Agreement will be re-negotiated and renewable upon expiration and it will become a major source of revenue and profit of the Company.

Currently, the Company, through Gala Success (Asia) Ltd., a wholly owned subsidiary of the Company incorporated in Hong Kong, holds a 89% equity interest in Woda Taifeng. Woda Taifeng indirectly owns economic interest that equates to a 70% equity interest in Beijing Tianxun Shitong Technology Development Company Limited (北京天迅視通科技發展有限公司) ("Tianxun"/"北京天迅") through its exclusive right (with a repurchase consideration of RMB140,000) to purchase an equivalent number of common shares (i.e. 70% equity interest) in Tianxun which have been pledged to Woda Taifeng; whereas Tianxun directly owns 40% equity interest in Haidian. According to this structure, the Company's indirect economic interest in Haidian is expected to constitute a major source of revenue and profit for the Company.

Haidian was incorporated in May 2000 in Beijing, the PRC as a domestic limited liability company under the PRC law with its registered office located at No.10 Building, Zijin zhuangyuan, No.68 Wanquanhe Road, Haidian District, Beijing. Its registered capital is RMB30 million.

The shareholding structure of Haidian is shown as below:

Beijing Haidian District Cable Television and Network Information Centre (北京市海淀區有線電視網絡信息中心)	21%
Tianxun (北京天迅)	40%
Beijing Tianshi Lingyun Technology Development Company Limited (北京天視凌雲技術開發有限公司)	30%
Beijing Lingshi Technology Development Company Limited (北京凌視科技發展有限公司)	3%
Beijing Huifeng Telecom Construction Company Limited (北京滙豐電信工程有限責任公司)	3%
Yuan Bai Shan (袁白山)	3%
TOTAL:	100%

Haidian is a local fiber-optic network and broadband products and services provider. It provides Internet services, Internet content, e-commerce and other value added services for users occupying in commercial and residential buildings, hotels, industrial and suburban area in various districts in Beijing as approved by the Beijing Telecommunication Administration Bureau. Through Haidian's 350 kilometers long fiber network, subscribers can obtain private line services, Internet protocols, broadband voice, data and video transports, virtual private network ("VPN"), e-commerce and Internet application services.

Haidian has obtained the licenses from the government to operate as an Internet service provider ("ISP") and Internet content provider ("ICP") in February and April 2001 respectively to provide Internet related services to corporate and individual users in various districts of Beijing. Haidian initially focused on the Haidian District and will then expand its services to the other 5 districts (together referred to as the "Territories") in Beijing. As of the appraisal date, Haidian is a start-up technology company which generated a revenue of RMB12.70 million and a net profit of RMB1.13 million in 2005. According to Haidian's management, their existing network is capable of connecting to 150,000 subscribers among which approximately 17,000 are using Haidian's broadband services as of the appraisal date. They expect that this number would increase rapidly as broadband application becomes more and more popular. Moreover, Haidian planned to increase its capacity by extending its network infrastructure to cover approximately 600,000 subscribers in approximately six years' time.

China's Broadband Internet Market

Being the world's second largest Internet population after the United States, China had 111 million Internet subscribers and 49.5 million sets of computers as at 31 December 2005, representing a growth rate of 18.1% and 19% respectively. According to China Internet Network Information Center's ("CNNIC") *17th Survey Report on the Internet Development in China,* among the 111 million internet users, 29.1 million of them were connected over leased line (a year-on-year drop of 14.8%), 51 million of dial-up connection users (a year-on-year drop of 4.6%) and 64.3 million of broadband users (a year-on-year increase of 50.2%) (Note: Discrepancy between the number of internet users and the summation of different connection user's capacity was due to the double-counting of users with more than one connection methods). As a result of the increasing GDP per capita and improving living standard in China, the demand for broadband Internet is further accelerated by its convenience for daily work and infotainment. It is widely predicted that the number of broadband Internet user in China will grow continuously at a steady rate whereas a declining portion of internet users will use leased line and dial-up connections. According to iResearch's forecast in its *China IPTV Market Research Report 2005,* the number of broadband users will jump from 26 million in 2004 to 88 million in 2007. It is expected that the growth will slow down after the Olympic Games in 2008.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of the Company on the basis of fair market value. Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Our investigation included discussions with the Management of the Company (the "Management") in relation to the history, operations and prospects of the business, a review of the historical financial information and the financial projection (the "Projection"), its underlying assumptions, the business plan (the "Business Plan") as well as other records and documents, provided to us by the Management. In arriving at our conclusion of value of the business enterprise of the Company, we have made certain adjustments to the Projection that we believe are appropriate under the circumstances as of the appraisal date. Before arriving at our opinion of value, we have considered the following principal factors:

— the nature of the businesses of the Company, its subsidiaries, associate companies and joint venture companies (the "Group") from its inception;

— the financial condition of the Group;

— the global economic outlook in general and the specific economic and competitive elements affecting the Group's business, its industry and its market;

— the nature and the prospect of providing broadband internet access services in the PRC;

— the market potential as illustrated by the growth trend of broadband subscribers within the Territories;

— the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of projects;

— the current stage of development and the business risks of the Group;

— the Projection; and

— the Business Plan, which include some studies about the Internet sector in the PRC, business model of Haidian, competitive analysis, budget of investment and related time schedule, etc.

Due to the changing environment in which the Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

— there will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC, in which the Group will carry on its business or to which it exports or from which it imports or sources supplies;

— legal opinion from Jincheng & Tongda (北京市金誠同達律師事務所), a law firm established in the PRC, is true and accurate;

— legal opinion from King & Wood (金杜律師事務所) (the "Legal Opinion"), a law firm established in the PRC, is true and accurate; and pursuant to the Legal Opinion, Woda Taifeng can effectively and legally control its indirect beneficial interests in the assets, equity interests and operating activities of Haidian;

— the Legal Opinion constitutes the final corporate structure of SLS;

— all approvals, licenses and contractual agreements with respect to the Group and its operations are legal, valid and will be enforceable in accordance with the legal terms; and that Haidian will have the legal rights to launch its products and services in the Territories, and to own and receive the revenues generated by its operations as contemplated under the Projection;

— Haidian will successfully negotiate and enter into long-term legally binding contractual agreements with more content providers, program agents, e-commerce providers and other strategic partners to secure the future revenues of Haidian;

— the intellectual property of Haidian's products and services will not be infringed upon in a manner which would materially affect the economic benefits attributable to Haidian;

— exchange rates and interest rates will not differ materially from those presently prevailing;

— the availability of finance will not be a constraint on the forecast growth of the Group's operation in accordance with the Business Plan and the Projection;

— the Business Plan and the Projection have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;

— Haidian will focus its resources in operating its existing network capacity with a coverage of not more than 150,000 subscribers;

— Woda Taifeng will be responsible for sourcing of materials and provision of necessary network equipment for the expansion of Internet services provided by Haidian;

— the technology to be utilized by Haidian in implementing its Business Plan will be viable and successfully deployed;

— no impairment on assets of the Company will be required in foreseeable future;

— the Group will retain and have competent management, key personnel, and technical staffs to support its ongoing operations; and

— industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

— financial projection in our valuation model is primarily in line with group accounting policy of Sunny Global Holdings Limited, which is prepared in accordance with Hong Kong Financial Reporting Standards;

— straight-line depreciation and amortization charges will be made for the intangible assets, property, plant and equipment in 5 years, whereas the item of construction-in-progress will be depreciated in 10 years;

— all projected revenue is recognized on an accrual basis;

— differences in Generally Accepted Accounting Principles between Hong Kong and the PRC should have negligible impact on the appraisal value of the Company in view of the cash flow-based valuation methodology adopted; and

— there will be no major changes in the current taxation law in the PRC in which the Group operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

As disclosed by the Management, the value of the Company will be derived from: (1) the indirect economic benefits derived from the 24.92% effective equity interest in Haidian; and (2) Woda Taifeng's share of the predetermined portion of revenue generated from installation fees and service fees obtained from both residential and commercial subscribers under the new network coverage as stipulated under the Cooperative Agreement. The following table summarized the major assumptions adopted in our valuation model for the Company:

Market Penetration Assumptions

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Existing network capacity (In terms of coverage of subscribers)[1]	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Planned network capacity (In terms of coverage of subscribers) (Note: excluding existing network)[2]	22,388	55,970	111,940	205,970	300,000	394,030	450,000	450,000	450,000
Assumptions for Haidian:									
Accumulated subscribers									
(i) Residential market	15,663	23,906	35,142	44,023	47,615	51,329	55,169	59,141	60,236
— Penetration rate	3.0%	4.5%	6.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.0%
(ii) Commercial market	79	189	1,101	2,517	4,247	6,292	8,652	12,269	16,359
— Penetration rate	0.1%	0.2%	1.0%	2.0%	3.0%	4.0%	5.0%	6.5%	8.0%
Assumptions for Woda Taifeng:									
Accumulated subscribers[3]									
(i) Residential market	—	7,969	32,439	66,035	100,832	136,878	156,797	177,423	180,709
— Penetration rate	—	0.5%	2.0%	4.0%	6.0%	8.0%	9.0%	10.0%	10.0%
(ii) Commercial market	—	708	1,652	3,775	8,494	16,517	25,955	36,808	49,078
— Penetration rate	—	0.3%	0.5%	1.0%	2.0%	3.5%	5.0%	6.5%	8.0%
Overall network utilization rate	9.13%	15.91%	26.85%	32.69%	35.82%	38.79%	41.10%	47.61%	51.06%

Note:

(1) Existing network capacity represents the network coverage developed by Haidian;

(2) Planned network capacity represents the network coverage developed by Woda Taifeng on behalf of Haidian in accordance with the Cooperative Agreement; and

(3) Subscriber base developed by Woda Taifeng on behalf of Haidian.

Revenue Assumptions for both Woda Taifeng & Haidian

(RMB)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assumptions given under the Cooperative Agreement for Woda Taifeng:									
Revenue share of installation fee	70%	70%	70%	70%	70%	70%	70%	70%	70%
Revenue share of service fee	70%	70%	70%	60%	60%	60%	50%	50%	50%
Assumptions for both Woda Taifeng & Haidian:									
Installation fee per head									
— residential market	300	200	100	50	—	—	—	—	—
— commercial market	9,000	5,000	3,000	2,000	1,000	500	500	500	500
Monthly service fee per head									
— residential market	93	88	84	80	76	72	68	65	62
— commercial	3,750	3,188	2,231	1,562	1,250	1,000	800	640	512

VALUATION METHODOLOGY

The fair market value of the Company was developed through the application of the income approach technique known as the discounted cash flow method. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the business enterprise that an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent business enterprise with similar risk.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method in appraising the economic benefits of the Company. In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. When developing a discount rate to apply to the cash flow streams attributable to the Company, the discount rate is the cost of equity.

The cost of equity was developed through the application of the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. The discount rate for the Company was the sum of the risk-free rate return, equity risk premium, political risk premium, company size risk premium, interest rate differentials and specific risk premium reflecting the startup risk, technological risk, legal and regulatory risk inherent in the Company's intended operations.

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of the company.

A number of studies were conducted in the United States, which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the United States in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.

- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

Discount for Minority Interest

It is widely recognized that an investment which offers an investor control of a business is worth more than a minority stake. In valuation perspective, a shareholder with majority stake normally owns the control power in a company, and thus, a control premium is generally recognized. In contrast, a minority discount is recognized when the holder of a minority interest lacks control over corporate policies like election of directors or selection of management, acquisition or liquidation of assets, control over dividend policy, ability to set corporate strategies, ability to affect future earnings, etc.

OTHER RISK CONSIDERATIONS

Readers of this report should note that the valuation of the Company is based on many assumptions that could not be easily assessed due to the limited operating history of the Group. The valuation of the Company is based on many assumptions on the business of Haidian and Woda Taifeng, such as the projected number of subscribers, the potential growth and size of the target markets, and the estimated cost data, which form the basis of the projected cash flows. However, there is no guarantee that the projected cash flows of the Company's major operating arms, namely Haidian and Woda Taifeng, would come true, in part or as a whole. The success of the Group will largely hinge on its ability to gain market penetration and the acceptance of the Group's products and services by its customers. The risks associated with the business relate to the successful establishment and implementation of the Business Plan. Uncertainties result from limited operating history, technology and implementation risks, qualities of services to be delivered, increasing competition and other risks that may not currently be contemplated. This valuation is based on the assumption that the Group will operate in accordance with its projected timetable as prescribed in the Business Plan and the Projection.

We were furnished, for the purpose of this appraisal, with audited financial data as well as other records, documents and projections. We have reviewed and examined the financial information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted public sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied, to a very considerable extent, on the information provided by, and discussions held with the Management.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that as of 31 March 2006, the fair market value of a 100% equity interest in the business enterprise of SLS Investments Limited is reasonably stated by the amount of **RENMINBI SEVENTY FIVE MILLION ONE HUNDRED THOUSAND (RMB75,100,000) ONLY.**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Kelvin C.H. Chan, ACCA, CFA
Associate Director

Note: Kelvin C.H. Chan is a member of the Association of Chartered Certified Accountants (ACCA), a CFA Charterholder and a Registered Business Valuer registered with the Hong Kong Business Valuation Forum. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

(1) LETTER FROM FIRST SHANGHAI

Set out below are the texts of letter received from First Shanghai Capital Limited in connection with the Business Valuation of SLS Group.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

30 June 2006

The Board of Directors
Sunny Global Holdings Limited
13th Floor
Harbour Commercial Building
122-124 Connaught Road, Central
Hong Kong

Dear Sirs,

We refer to the report of business valuation prepared by Grant Sherman Appraisal Limited ("Grant Sherman") in relation to the appraisal of the fair value of 100% of interest in SLS Investments Limited and its subsidiaries as at 31 March 2006 (the "Business Valuation" as set out in Appendix I of the Circular dated 30 June 2006).

We have reviewed the Business Valuation for which Grant Sherman is responsible and discussed with you the information and documents provided by you which formed part of the bases and assumptions upon which Business Valuation has been prepared. We have also considered the letter from Grant Thornton Certified Public Accountants dated 30 June 2006 addressed to yourselves regarding whether the Business Valuation was complied properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Business Valuation, for which you as the directors of the Company are solely responsible, has been stated after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Eric Lee
Director

(2) LETTER FROM GRANT THORNTON

Set out below are the texts of letter received from Grant Thornton in connection with the Business Valuation of SLS Group.

Grant Thornton
均富會計師行

30 June 2006

The Directors
Sunny Global Holdings Limited
13th Floor
Harbour Commercial Building
122-124 Connaught Road
Central
Hong Kong

Dear Sirs,

Re: Report of factual findings

In accordance with our engagement letter dated 17 February 2006, we have performed the procedure agreed with you and enumerated below in relation to the valuation report dated 30 June 2006 prepared by Grant Sherman Appraisal Limited (the "Valuer") in respect of the valuation of the SLS Investments Limited as at 31 March 2006 as set out in Appendix I to the circular of Sunny Global Holdings Limited (the "Company") dated 30 June 2006.

Our engagement was undertaken and conducted in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist the directors of the Company to evaluate whether the valuation report was complied properly so far as the accounting policies that have been used and the related calculations are concerned.

We compared the accounting policies underlying the fair market value as at 31 March 2006 with the accounting policies normally adopted by the Company. We found that the accounting policies are consistent with those accounting policies normally adopted by the Company.

As the above procedures do not constitute an audit or a review made in accordance with the Statements of Auditing Standards issued by the HKICPA, we do not express any such assurance. For avoidance of doubt, we further clarify that the above procedures do not constitute any valuation of the SLS Investments Limited.

Yours faithfully,
Grant Thornton
Certified Public Accountants
Hong Kong

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated profit and loss accounts of the Group for the three years ended 30 September 2005.

	Year ended 30 September		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	42,809	136,989	297,336
(Loss)/profit from operation	(59,724)	(41,978)	(3,436)
Gain on disposal of subsidiaries	1,523	20,534	—
Other financial income	146	211	321
Finance cost	(150)	(235)	(185)
(Loss)/profit before taxation	(58,205)	(21,468)	(3,300)
Taxation	—	—	(903)
(Loss)/profit before minority interests	(58,205)	(21,468)	(4,203)
Minority interest	315	—	—
(Loss)/profit attributable to shareholders	(57,890)	(21,468)	(4,203)

	As at 30 September		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	80,368	144,303	157,211
Total liabilities	(7,844)	(31,884)	(85,266)
Minority interests	622	—	—
Shareholders' funds	73,146	112,419	71,945

2. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited financial statements of the Group for the two years ended 30 September 2005 as extracted from the Group's 2005 annual report. In this section, reference to the page number is referred to the page number of the Group's 2005 annual report.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2005

	Notes	**2005**	**2004**
		HK$'000	*HK$'000*
Revenue	4	42,809	136,989
Cost of sales		(40,816)	(157,588)
Gross profit/(loss)		1,993	(20,599)
Administrative and other operating expenses		(61,358)	(15,274)
Selling and distribution costs		(359)	(3,582)
Provision for doubtful debt	8	—	(2,523)
Operating loss		(59,724)	(41,978)
Gain on disposal of subsidiaries	26.1	1,523	20,534
Other financial income	6	146	211
Finance costs	7	(150)	(235)
Loss before income tax	8	(58,205)	(21,468)
Income tax expense	9	—	—
Loss for the year		(58,205)	(21,468)
Attributable to:			
Equity holders of the Company	10	(57,890)	(21,468)
Minority interests		(315)	—
Loss for the year		(58,205)	(21,468)
		HK Cents	*HK Cents*
Basic loss per share for loss attributable to equity holders of the Company	11	(5.62)	(2.87)

CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	Notes	**2005** *HK$'000*	**2004** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	2,064	10,607
Consideration paid for acquisition of subsidiaries	30	22,000	—
Goodwill	16	—	26,305
		24,064	36,912
Current assets			
Inventories	17	—	2,838
Trade receivables, other receivables and deposits	18	36,339	49,633
Cash at banks	19	19,965	54,920
		56,304	107,391
Current liabilities			
Short term loans	20	—	3,113
Obligations under a finance lease	21	—	125
Trade and other payables	22	7,222	28,636
		7,222	31,874
Net current assets		49,082	75,517
Total assets less current liabilities		73,146	112,429
Non-current liabilities			
Obligations under a finance lease	21	—	10
Net assets		73,146	112,419
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	23	115,000	103,000
Accumulated losses		(60,240)	(4,270)
Other reserves	25	17,764	13,689
		72,524	112,419
Minority interests		622	—
Total equity		73,146	112,419

BALANCE SHEET

As at 30 September 2005

	Notes	**2005**	**2004**
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	15	7,092	42,800
Consideration paid for acquisition of subsidiaries	30	22,000	—
		29,092	42,800
Current assets			
Amounts due from subsidiaries	15	76,690	102,447
Trade and other receivables		17,348	2
Cash at bank		3,890	22,098
		97,928	124,547
Current liabilities			
Other payables		1,734	1,965
Net current assets		96,194	122,582
Total assets less current liabilities		125,286	165,382
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	23	115,000	103,000
(Accumulated losses)/Retained profits	25	(26,298)	31,798
Other reserves	25	36,584	30,584
Total equity		125,286	165,382

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2005

	Notes	**2005**	**2004**
		HK$'000	*HK$'000*
Cash flows from operating activities			
Loss before income tax		(58,205)	(21,468)
Adjustments for:			
Depreciation and amortisation on property, plant and equipment		1,038	1,394
Amortisation of goodwill		—	6,577
Impairment loss on goodwill		51,761	—
Loss on disposal of property, plant and equipment		—	411
Write off of property, plant and equipment		318	—
Provision for doubtful debt		—	2,523
Gain on disposal of subsidiaries		(1,523)	(20,534)
Interest expenses		150	235
Interest income		(74)	(119)
Operating loss before working capital changes		(6,535)	(30,981)
(Increase)/Decrease in inventories		(2,174)	21,133
Decrease/(Increase) in trade receivables, other receivables and deposits		2,532	(22,923)
Decrease in trade and other payables		(6,760)	(2,129)
Cash used in operations		(12,937)	(34,900)
Interest paid		(150)	(235)
Net cash used in operating activities		(13,087)	(35,135)
Cash flows from investing activities			
Purchase of property, plant and equipment		(465)	(216)
Proceeds from disposal of subsidiaries, net of cash disposed of	26.1	7,937	2,110
Acquisition of subsidiaries, net of cash and cash equivalents acquired	26.2	(27,024)	(22,000)
Cash consideration paid for acquisition of subsidiaries	30	(4,000)	—
Interest received		74	119
Net cash used in investing activities		(23,478)	(19,987)

	Notes	**2005**	**2004**
		HK$'000	*HK$'000*
Cash flows from financing activities			
Proceeds from issue of new shares		—	61,800
Payment of share issue expenses		—	(646)
New bank and other loans		1,698	3,113
Repayment of bank and other loans		—	(3,084)
Repayment of finance lease liabilities		(83)	(125)
Net cash generated from financing activities		1,615	61,058
Net (decrease)/increase in cash and cash equivalents		(34,950)	5,936
Cash and cash equivalents at beginning of year		54,920	48,809
Effect of foreign exchange rate changes, on cash held		(5)	175
Cash and cash equivalents at end of year		19,965	54,920

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2005

	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Other reserves	(Accumulated losses)/ Retained profits		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 October 2003	41,200	13,895	16,850	—	71,945
Revaluation on properties	—	498	—	—	498
Disposal of properties	—	(220)	220	—	—
Share issue expenses	—	(646)	—	—	(646)
Currency translation	—	162	128	—	290
Net income recognised directly in equity	—	(206)	348	—	142
Loss for the year	—	—	(21,468)	—	(21,468)
Total recognised income and expense for the year	—	(206)	(21,120)	—	(21,326)
Proceeds from shares issued	61,800	—	—	—	61,800
Balance at 30 September 2004	103,000	13,689	(4,270)	—	112,419

	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	**Other reserves**	**Accumulated losses**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 October 2004	103,000	13,689	(4,270)	—	112,419
Acquisition of subsidiaries	—	—	—	937	937
Disposal of subsidiaries	—	(1,920)	1,920	—	—
Currency translation	—	(5)	—	—	(5)
Net income recognised directly in equity	—	(1,925)	1,920	937	932
Loss for the year	—	—	(57,890)	(315)	(58,205)
Total recognised income and expense for the year	—	(1,925)	(55,970)	622	(57,273)
New shares issued	12,000	6,000	—	—	18,000
Balance at 30 September 2005	115,000	17,764	(60,240)	622	73,146

Details of other reserves are set out in note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2005

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 14th Floor, Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (collectively the "Group") include the design, manufacture and sales of footwear products, provision of system integration services and trading of information technology related hardware and software. The Group has sold its operations in manufacturing of footwear products during the year.

The acquisition of Popular Asset Limited and Excel Star Technology Limited as described in note 26 is in line with the Group's strategy to strengthen the provision of system integration services.

The financial statements on pages 21 to 59 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 30 September 2005 were approved by the board of directors on 22 February 2006.

2. ADOPTION OF NEW/REVISED HKFRS

The Group has early adopted the following new/revised standards and interpretations of HKFRS which are relevant to its operations and have been issued but are not yet effective. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 27	Consolidated and Separated Financial Statements
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKFRS 3	Business Combinations

All the above standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 30 September 2004. Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 **Adoption of HKAS 1**

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company are now presented as allocations of the net results of the year.

2.2 **Adoption of HKAS 36, HKAS 38 and HKFRS 3**

These standards stipulate a prospective change to the accounting policies.

In accordance with the provisions of HKFRS 3, the amortisation of goodwill has ceased and the accumulated amortisation at 30 September 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves.

In accordance with the provision of HKAS 38, no adjustments to prior period financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets.

2.3 **Other standards adopted**

The adoption of HKAS 2, 7, 8, 10, 14, 16, 27, 33 and 37 did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the disclosures in these financial statements.

The adoption of the above standards did not result in any changes to the amounts in these financial statements.

2.4 **New standards or interpretations that have not been early adopted**

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 17	Leases
HKAS 24	Related Party Disclosures
HKAS 32	Financial instruments: Disclosure and Presentation
HKAS 39	Financial instruments: Recognition and Measurement
HKFRS 7	Financial instruments — Disclosures

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of these financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 September each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

3.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement under "other financial income" or "administrative and other operating expenses", respectively.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rate.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.5 **Income and expense recognition**

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

Sales of goods are recognised upon transfer of risk to the customer and collectibility of the related receivables is reasonably assured.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Operating expenses are recognised in the income statement upon utilisation of services or at the date of their origin.

3.6 **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.7 Property, plant and equipment

All property, plant and equipment are stated at acquisition cost less depreciation and impairment losses.

Land and buildings are stated at valuation less accumulated depreciation and amortisation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment less their residual value, being the net amount which the Group expects to obtain from disposal of an asset at the end of its useful life after deducting the expected cost of disposal, over their estimated useful lives, using the straight line method, at the following rates per annum:

Plant and machinery	10%
Equipment and furniture	20%
Motor vehicles	20%
Network equipment	20%

Leasehold improvements are amortised over the remaining unexpired period of the lease or its estimated useful life to the Group, whichever is shorter. The principal annual rate used is 20%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.8 Impairment testing of goodwill and property, plant and equipment

The Group's goodwill and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

3.9 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.10 **Inventories**

At the balance sheet date inventories are carried at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Finance costs are not taken into consideration. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.11 **Accounting for income taxes**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

3.12 **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as money market instruments and bank deposits. Money market instruments are financial assets carried at fair value through profit or loss.

3.13 **Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.14 Pension obligations and short term employee benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Interest expenses related to pension obligation are included in “finance costs” in the income statement. All other pension related benefit expenses are included in “staff costs”.

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in current pension and other employee obligation at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees.

The employees of the Company’s subsidiaries in the Peoples’ Republic of China (the “PRC”) participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contribution to the retirement schemes at a certain percentage of the basic salaries of their employees.

3.15 Financial liabilities

The Group’s financial liabilities include bank loans and overdrafts, trade and other payables and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in ‘finance costs’ in the income statement.

Bank loans are raised for support of long term funding of the Group’s operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade payables are recognised initially at their nominal value and subsequently measured at amortised cost less settlement payments.

3.16 Segment reporting

In accordance with the Group’s internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.17 **Financial assets**

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amount due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated cashflows.

3.18 **Comparatives**

The Group previously disclosed interest income within revenue. Management believes that its inclusion in other financial income is a fairer representation of the Group's activities.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Revenue — Turnover		
Footwear products	16,606	105,884
Information technology business		
— Trading of hardware and software	20,326	31,059
— Provision of services	5,877	46
	26,203	31,105
	42,809	136,989

Turnover represents total invoiced value of goods sold, net of sales tax and services rendered.

5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Primary reporting format — Business segments

The following tables present revenue, loss and certain assets, liabilities and capital expenditure information for the Group's business segments.

	Information technology business	Leisure and athletic footwear	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
By principal activity:				
Sales to external customers	26,203	16,606	—	42,809
Segment results	(1,382)	(720)	(5,830)	(7,932)
Bank interest income				74
Exchange difference				41
Finance costs				(150)
Impairment loss on goodwill				(51,761)
Gain on disposal of subsidiaries				1,523
Loss before income tax				(58,205)
Income tax expense				—
Loss for the year				(58,205)
Segment assets	10,872	3,461	66,035	80,368
Segment liabilities	1,549	3,325	2,348	7,222
Other information for the year				
Capital expenditure	2,248	14	—	2,262
Depreciation and amortisation on property, plant and equipment	345	693	—	1,038

	Information technology business	Leisure and athletic footwear	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2004				
By principal activity:				
Sales to external customers	31,105	105,884	—	136,989
Segment results	451	(28,130)	(11,366)	(39,045)
Bank interest income				119
Exchange difference				92
Finance costs				(235)
Provision for doubtful debt		(2,523)		(2,523)
Gain on disposal of subsidiaries				20,534
Others		(410)		(410)
Loss before income tax				(21,468)
Income tax expense				—
Loss for the year				(21,468)
Segment assets	50,310	39,858	54,135	144,303
Segment liabilities	15,425	13,328	3,131	31,884
Other information for the year				
Capital expenditure	2	214	—	216
Depreciation and amortisation on property, plant and equipment	4	1,390	—	1,394
Amortisation of goodwill	—	6,577	—	6,577

Secondary reporting format — Geographical segments

The following tables provide an analysis of the Group's revenue and contribution to loss from operations by geographical market:

	Europe	PRC	United States of America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
Segment revenue:					
Sales to external customers	—	38,757	—	4,052	42,809
Segment results	—	(7,174)	—	(758)	(7,932)
Bank interest income					74
Exchange difference					41
Finance costs					(150)
Impairment loss on goodwill					(51,761)
Gain on disposal of subsidiaries					1,523
Loss before income tax					(58,205)
Income tax expense					—
Loss for the year					(58,205)

	Europe	PRC	United States of America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004					
Segment revenue:					
Sales to external customers	72,169	38,822	6,563	19,435	136,989
Segment results	(13,874)	(12,220)	(1,545)	(11,406)	(39,045)
Bank interest income					119
Exchange difference					92
Finance costs					(235)
Provision for doubtful debt		(2,523)			(2,523)
Gain on disposal of subsidiaries					20,534
Others		(410)			(410)
Loss before income tax					(21,468)
Income tax					—
Loss for the year					(21,468)

Over 90% of the Group's assets as at 30 September 2005 and 30 September 2004 and its capital expenditure for the year then ended were located or utilised in the PRC. Accordingly geographical segment information in relation to the Group's assets and capital expenditure has not been presented.

6. OTHER FINANCIAL INCOME

	2005	**2004**
	HK$'000	*HK$'000*
Exchange gain, net	41	92
Bank interest income	74	119
Others	31	—
	146	211

7. FINANCE COSTS

	2005	**2004**
	HK$'000	*HK$'000*
Interest charges on:		
Bank and other loans repayable within five years	150	225
Finance leases	—	10
	150	235

8. LOSS BEFORE INCOME TAX

	2005	2004
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	625	600
Cost of inventories recognised as expense		
— Footwear products	3,325	128,448
— Information technology business	37,491	29,140
	40,816	157,588
Depreciation and amortisation on property, plant and equipment		
— owned assets	1,038	1,308
— leased assets	—	86
	1,038	1,394
Loss on disposal of property, plant and equipment	—	411
Write off of property, plant and equipment	318	—
Amortisation of goodwill (included in administrative and other operating expenses)	—	6,577
Impairment loss on goodwill (included in administrative and other operating expenses)	51,761	—
Provision for doubtful debt *(Note)*	—	2,523
Rental in respect of land and buildings under operating leases	414	52
Staff costs (including directors' remuneration of HK$1,705,000 (2004: HK$1,445,000) and contributions to retirement benefits schemes of HK$555,000 (2004: HK$771,000)	5,277	13,460

Note: During the year ended 30 September 2004, an agreement was entered into between Huayi Footwear Co., Ltd. Jinjiang (晉江市華意鞋業有限公司) ("Huayi"), a then wholly-owned subsidiary of the Company, and the local municipal government, under which Huayi agreed to surrender part of its land and a portion of the building premises constructed on the land, for the expansion by the municipal government of a road, in return for a compensation of approximately RMB2,687,000 (HK$2,523,000). As of 30 September 2004, Huayi had not received this compensation which had been long overdue according to the agreement. As a result of this, full provision had been made against the amount of compensation receivable as at 30 September 2004.

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit in Hong Kong for the year.

No PRC income tax has been provided in the financial statements as the Group did not derive any assessable profit in the PRC for the year.

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2005	*2004*
	HK$'000	*HK$'000*
Loss before income tax	(58,205)	(21,468)
Tax on loss before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	(10,323)	(4,025)
Tax effect of non-deductible expenses	10,289	4,031
Tax effect of non-taxable revenue	(31)	(4)
Tax effect of tax losses not recognised	65	19
Tax effect on temporary differences not recognised	—	(21)
Income tax expense	—	—

At 30 September 2005, the tax effect of temporary differences for which deferred tax assets have not been recognised in the financial statements is in respect of the following:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Accelerated depreciation allowances	2	2
Tax losses	(571)	(506)
	(569)	(504)

Deferred tax assets have not been recognised in the financial statements due to the uncertainty regarding the availability of future profit streams. The tax losses will not expire under current tax legislation.

10. LOSS FOR THE YEAR

Of the consolidated loss for the year attributable to equity holders of the Company of HK$57,890,000 (2004: HK$21,468,000), a loss of HK$58,096,000 (2004: HK$2,250,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company for the year of HK$57,890,000 (2004: HK$21,468,000) and on the weighted average of 1,030,328,767 (2004: 748,372,603) ordinary shares in issue during the year.

No diluted loss per share is presented for both years as there were no dilutive potential ordinary shares in issue.

12. STAFF COSTS

	2005	2004
	HK$'000	*HK$'000*
Directors' emoluments (excluding contribution to retirement benefits schemes)	1,705	1,445
Staff wages and salaries	3,017	11,244
Pension costs — defined contribution plans	555	771
	5,277	13,460

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

13.1 Executive directors' and non-executive directors' emoluments

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Executive directors				
Mr. Lee Man Fa	—	340	—	340
Mr. Kwok Ming Fai	—	660	—	660
Mr. Yan Wa Tat	—	86	—	86
Mr. Tai King Foon	—	360	—	360
Mr. Lin Huis Sheng	—	—	—	—
	—	1,446	—	1,446
Non executive directors				
Mr. Liu Kwok Wah	96	—	—	96
Mr. Leung Sai Cheong	96	—	—	96
Mr. Wong Chi Chung	37	—	—	37
Mr. Li Wai Kwan	30	—	—	30
Mr. Kan Siu Lun	—	—	—	—
	259	—	—	259
	259	1,446	—	1,705

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2004				
Executive directors				
Mr. Lee Man Fa	—	198	—	198
Mr. Kwok Ming Fai	—	495	12	507
Mr. Tai King Foon	—	270	12	282
Ms. Yu Kin Ling Katherine	—	237	7	244
Mr. Lin Huis Sheng	—	179	—	179
	—	1,379	31	1,410
Non executive directors				
Mr. Liu Kwok Wah	16	—	—	16
Mr. Chan Kin Kee	50	—	—	50
Mr. Leung Sai Cheong	—	—	—	—
Mr. Kan Siu Lun	—	—	—	—
	66	—	—	66
	66	1,379	31	1,476

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The number of directors whose remuneration fall within the following bands is as follows:

	Number of directors			
	Executive directors		Independent non-executive directors	
	2005	**2004**	**2005**	**2004**
Nil - HK$1,000,000	5	5	5	4

13.2 **Five highest paid individuals**

Among the five highest paid individuals of the Group, three (2004: one) were directors of the Company. The remaining two (2004: four) highest paid individuals were management of the Group. The aggregate amount of the remuneration of these individuals which has not been disclosed in the directors' remuneration above is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	1,120	1,771
Discretionary bonus	—	—
Contributions to pension schemes	20	24
	1,140	1,795

The number of the above individuals whose remuneration fall within the following bands is as follows:

	Number of individuals	
	2005	**2004**
Nil - HK$1,000,000	2	4

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2004: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Plant and machinery	Equipment and furniture	Motor vehicles	Leasehold improvements	Network equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2003							
Cost or valuation	6,200	13,808	844	1,264	—	—	22,116
Accumulated depreciation	—	(6,910)	(308)	(792)	—	—	(8,010)
Net book amount	6,200	6,898	536	472	—	—	14,106
Year ended 30 September 2004							
Opening net book amount	6,200	6,898	536	472	—	—	14,106
Exchange differences	53	54	3	5	—	—	115
Revaluation surplus *(Note 25)*	498	—	—	—	—	—	498
Additions	—	31	185	—	—	—	216
Disposals	(1,765)	(1,161)	—	(8)	—	—	(2,934)
Depreciation and amortisation	(186)	(991)	(108)	(109)	—	—	(1,394)
Closing net book amount	4,800	4,831	616	360	—	—	10,607
At 30 September 2004							
Cost or valuation	4,800	7,719	945	510	—	—	13,974
Accumulated depreciation and amortisation	—	(2,888)	(329)	(150)	—	—	(3,367)
Net book amount	4,800	4,831	616	360	—	—	10,607
Year ended 30 September 2005							
Opening net book amount	4,800	4,831	616	360	—	—	10,607
Acquisition of subsidiaries *(Note 26)*	—	—	278	37	1,444	38	1,797
Additions	—	—	451	14	—	—	465
Disposal of subsidiaries *(Note 26)*	(4,681)	(4,063)	(405)	(300)	—	—	(9,449)
Write off	—	(318)	—	—	—	—	(318)
Depreciation and amortisation	(119)	(450)	(165)	(82)	(217)	(5)	(1,038)
Closing net book amount	—	—	775	29	1,227	33	2,064
At 30 September 2005							
Cost	—	—	927	37	1,444	38	2,446
Accumulated depreciation and amortisation	—	—	(152)	(8)	(217)	(5)	(382)
Net book amount	—	—	775	29	1,227	33	2,064

At 30 September 2004, the Group's land and buildings with an aggregate carrying value of HK$1,867,000 were pledged as security for the Group's bank loan.

At 30 September 2004, the analysis of the cost or valuation of the above assets is as follows:

	Land and buildings	Plant and machinery	Equipment and furniture	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At Cost	—	7,719	945	510	9,174
At valuation — 2004	4,800	—	—	—	4,800
	4,800	7,719	945	510	13,974

The Group enters into finance lease arrangements for certain of its plant and machinery with the following carrying amounts:

	2005	2004
	HK$'000	*HK$'000*
Cost — capitalised finance leases	—	415
Accumulated depreciation	—	(86)
Net book amount	—	329

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Investments, at cost		
Unlisted shares	42,800	42,800
Less: Provision for impairment	(35,708)	—
	7,092	42,800
Amounts due from subsidiaries	96,690	102,447
Less: Provision for impairment	(20,000)	—
	76,690	102,447

The cost of the Company's investments in subsidiaries was determined by the directors on the basis of the underlying net assets of the subsidiaries at the time when they were acquired by the Company pursuant to the group reorganisation completed on 12 June 2002.

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

Particulars of the principal subsidiaries at 30 September 2005 are as follows:

Name	Country/ Place of incorporation/ establishment and operations	Issued/ Registered capital	Attributable equity interests held by the Company		Principal activities
			Direct	Indirect	
Fortress Ocean Limited	British Virgin Islands ("BVI")	US$1,000 Ordinary shares	100%	—	Investment holding
Appraise Asia Investments Limited	BVI	US$1 Ordinary share	100%	—	Investment holding
Open Challenge Group Limited	BVI	US$1 Ordinary share	100%	—	Dormant
Chinaway Network Technology Limited	Hong Kong	HK$4,000,000 Ordinary shares	—	100%	Network engineering and trading of information technology related hardware and software
Daily Development Company Limited	Hong Kong	HK$2 Ordinary shares	—	100%	Dormant
Popular Asset Limited	Hong Kong	HK$2 Ordinary shares	—	100%	Provision of data centre services
Excel Star Technology Limited	BVI	US$1 Ordinary share	—	100%	Investment holding
Jiaxing Easeful Communication Co., Ltd	PRC	HK$2,000,000 Registered capital	—	51%	Provision of information technology services
Wider Development Limited	Hong Kong	HK$1 Ordinary share	—	100%	Provision of administrative and management services
Sunplan Limited	Samoa	US$1 Ordinary share	—	100%	Trading of footwear products
Joy Century Holding Limited	Samoa	US$1 Ordinary share	—	100%	Dormant

16. GOODWILL

The main changes in the carrying amounts of goodwill result from the acquisition of Popular Asset Limited and Excel Star Technology Limited as well as the impairment of goodwill. The net carrying amount of goodwill can be analysed as follows:

Group

	HK$'000
At 1 October 2003	
Gross carrying amount	32,882
Accumulated amortisation	(6,577)
Net carrying amount	26,305

	2005	**2004**
	HK$'000	*HK$'000*
Net carrying amount at beginning of year	26,305	26,305
Additions	25,456	—
Impairment losses	(51,761)	—
Net carrying amount at end of year	—	26,305
At 30 September		
Gross carrying amount	51,761	26,305
Accumulated impairment	(51,761)	—
Net carrying amount	—	26,305

Apart from the acquisition of Popular Asset Limited and Excel Star Technology Limited (Note 26) which resulted in the recognition of additional goodwill, the change in the gross carrying amount of goodwill between 30 September 2004 and 30 September 2005 was caused by the transitional provisions of HKFRS 3. In accordance with this standard, all accumulated amortisation as at 30 September 2004 was eliminated against the gross amount of goodwill and amortisation of goodwill was discontinued from 1 October 2004.

As at 30 September 2005, the directors have made an assessment of the carrying amounts of goodwill. As a result of their assessment which took into account the recoverable amounts of the relevant cash generating units, the directors decided to make an impairment loss of HK$51,761,000 against the carrying amount of goodwill on a prudent basis.

17. INVENTORIES

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Raw materials	—	2,334
Work in progress	—	311
Finished goods	—	193
	—	2,838

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Trade receivables	11,344	21,904
Prepayments and deposits	5,944	1,839
Other receivables	19,051	25,890
	36,339	49,633

The Group's policy is to allow an average credit period of 30 to 60 days to its trade customers. At 30 September 2005, the ageing analysis of the trade receivables was as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
0 - 30 days	4,603	20,126
31 - 60 days	48	38
61 - 90 days	1,152	296
91 - 180 days	2,439	543
181 - 365 days	3,102	901
	11,344	21,904

19. CASH AT BANKS

Cash at banks include the following components:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Bank balances	9,959	18,905
Short-term bank deposits	10,006	36,015
	19,965	54,920

The effective interest rate of short-term bank deposits is 2.55% (2004: 0.5% and 0.8%). They have a maturity of 30 days and are available for immediate withdrawal without receiving any interest for the last deposit period.

Included in cash at banks is an amount of approximately HK$516,000 (2004: HK$89,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

20. SHORT TERM LOANS

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Bank loan	—	1,415
Other loans		
— Loans from a PRC credit company	—	1,698
	—	3,113

The bank loan was secured by the Group's land and buildings with an aggregate carrying value of HK$1,867,000 at 30 September 2004.

The loans from a PRC credit company were secured by guarantees provided by certain unrelated third parties, interest bearing at monthly rate of 0.66375% and repayable on dates falling between 5 December 2004 and 11 July 2005.

21. OBLIGATIONS UNDER A FINANCE LEASE

The analysis of the obligations under a finance lease is as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Due within one year	—	129
Due in the second to fifth years	—	10
	—	139
Future finance charges	—	(4)
Present value of finance lease liabilities	—	135

The present value of finance lease liabilities is as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Due within one year	—	125
Due in the second to fifth years	—	10
	—	135
Less: Portion due within one year included under current liabilities	—	(125)
Non-current portion included under non-current liabilities	—	10

22. TRADE AND OTHER PAYABLES

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Trade payables	3,919	17,313
Accrued expenses	3,303	11,323
	7,222	28,636

At 30 September 2005, the ageing analysis of the trade payables were as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
0 - 30 days	449	13,740
31 - 60 days	20	1,479
61 - 90 days	1,082	597
91 - 180 days	2,119	646
181 - 365 days	249	851
	3,919	17,313

23. SHARE CAPITAL

	2005		**2004**	
	Number of shares	*HK$'000*	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At beginning of year	5,000,000,000	500,000	1,000,000,000	100,000
Increase in authorised ordinary shares *(Note i)*	—	—	4,000,000,000	400,000
At end of year	5,000,000,000	500,000	5,000,000,000	500,000

	Number of shares	*HK$'000*
Issued and fully paid:		
At 1 October 2003	412,000,000	41,200
Rights issue (3 rights shares for every 2 shares) *(Note ii)*	618,000,000	61,800
At 30 September 2004 and 1 October 2004	1,030,000,000	103,000
New issue *(Note iii)*	120,000,000	12,000
At 30 September 2005	1,150,000,000	115,000

Notes:

(i) Pursuant to a special resolution passed on 16 March 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$500,000,000 by the creation of 4,000,000,000 new shares of HK$0.10 each. These new shares rank pari passu in all respects with the then existing shares of the Company.

(ii) On 14 April 2004, 618,000,000 shares of HK$0.10 each in the proportion of three rights shares for every two then shares in issue were issued at par.

(iii) On 26 August 2005, an agreement was entered into between Open Challenge Group Limited ("Open Challenge"), a wholly-owned subsidiary of the Company, and Jet Palace Development Limited ("Jet Palace"), an independent third party, pursuant to which Jet Palace agreed to sell and Open Challenge agreed to purchase the entire issued share capital of Golden Portal Holdings Limited ("Golden Portal") at a consideration of HK$16,000,000 (subject to downward adjustment). Golden Portal is incorporated in the BVI and through its direct wholly-owned subsidiary, Capital Access Limited, holds 70% of the issued share capital of Bartech (International) Information Network Limited which is principally engaged in the provision of on-line financial information services.

The consideration was to be satisfied to the extent of HK$4,000,000 by cash and to the extent of HK$12,000,000 by Open Challenge procuring the issue of a maximum of 120,000,000 new shares in the Company, credited as fully paid at par. The cash consideration of HK$4,000,000 was paid on 6 September 2005. On 30 September 2005, 120,000,000 new shares of HK$0.10 each in the Company were issued to Jet Palace at a price of HK$0.15 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 30 September 2005.

24. SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 12 June 2002 for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant options to any director or employee of the Group without any initial payment at an exercise price equal to the highest of (i) the nominal value of the shares of the Company; (ii) the closing price per share as stated in daily quotations sheet of the Stock Exchange on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option. The directors may specify the exercise period (not more than 10 years from the date of grant) and the minimum period for which an option must be held before it can be exercised at the time of grant options. As at the date of this annual report, the maximum number of shares available for issue under the Scheme is 103,000,000, representing approximately 9% of the issued share capital of the Company.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the share capital of the Company as at the date on which the Company's shares commenced listing on the Stock Exchange, i.e 40,000,000 shares (the "Limit"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant options beyond the Limit provided that the options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one participant in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option).

Where options are proposed to be granted to a substantial shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of options would result in the shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total issued shares for the time being and have an aggregate value (based on the closing price of a share at each date of the grant of these options) exceeding HK$5million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting (will all connected persons abstained from voting and votes taken on poll) in accordance with the requirements of the Listing Rules.

No outstanding options as at 30 September 2005 and 2004.

No share option was granted or exercised during the year.

25. RESERVES

Group

		Other Reserves				
	Share premium	**Asset revaluation reserve**	**Merger reserve** *(Note a)*	**Statutory reserve fund**	**Translation reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2003	4,020	1,333	8,390	290	(138)	13,895
Share issue expenses	(646)	—	—	—	—	(646)
Surplus on revaluation of properties	—	498	—	—	—	498
Reserves transferred to retained profits upon disposal of properties	—	(220)	—	—	—	(220)
Translation adjustments	—	—	—	3	159	162
At 30 September 2004	3,374	1,611	8,390	293	21	13,689

		Other Reserves				
	Share premium	**Asset revaluation reserve**	**Merger Reserve** *(Note a)*	**Statutory reserve fund**	**Translation reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2004	3,374	1,611	8,390	293	21	13,689
Reserves transferred to accumulated losses upon disposal of subsidiaries	—	(1,611)	—	(293)	(16)	(1,920)
Translation adjustments	—	—	—	—	(5)	(5)
Premium arising on issue of shares	6,000	—	—	—	—	6,000
At 30 September 2005	9,374	—	8,390	—	—	17,764

Company

	Other Reserves		Retained profits	Total
	Share premium	Contributed surplus *(Note b)*		
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 October 2003	4,020	27,210	34,048	65,278
Share issue expenses	(646)	—	—	(646)
Loss for the year	—	—	(2,250)	(2,250)
At 30 September 2004	3,374	27,210	31,798	62,382

	Other Reserves		(Accumulated losses)/ Retained profits	Total
	Share premium	Contributed surplus *(Note b)*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2004	3,374	27,210	31,798	62,382
Premium arising on issue of shares	6,000	—	—	6,000
Loss for the year	—	—	(58,096)	(58,096)
At 30 September 2005	9,374	27,210	(26,298)	10,286

(a) Merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued pursuant to the group reorganisation.

(b) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares of the Company issued in a share for share exchange and the fair value of the aggregate net assets of the subsidiaries acquired.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 30 September 2005 consisted of the aggregate of the contributed surplus and (accumulated losses)/retained profits totalling approximately HK$912,000 (2004: HK$59,008,000).

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

26.1 Disposal of subsidiaries

	2005	2004
	HK$'000	*HK$'000*
Net assets/(liabilities) disposed of:		
Property, plant and equipment	9,449	—
Inventories	5,012	—
Trade receivables, other receivables and deposits	12,294	10,733
Trade and other payables	(15,478)	(7,533)
Short term loans	(4,811)	—
Obligations under a finance lease	(52)	—
Provision for tax	—	(21,624)
Cash at bank	63	1,161
	6,477	(17,263)
Gain on disposal	1,523	20,534
Consideration	8,000	3,271
Satisfied by cash	8,000	3,271

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005	2004
	HK$'000	*HK$'000*
Cash consideration received	8,000	3,271
Cash at bank disposed of	(63)	(1,161)
Net inflow of cash in respect of the disposal of subsidiaries	7,937	2,110

The business sold during the year contributed HK$13,145,000 (2004: HK$114,078,000) to the Group's revenue and HK$1,014,000 (2004: HK$22,127,000) to the consolidated loss for the year.

The business sold during the year contributed HK$10,068,000 (2004: HK$19,171,000) to the Group's net operating cash outflow.

26.2 Acquisition of subsidiaries

On 7 October 2004 and 7 January 2005, the Group acquired the entire equity interests in Popular Asset Limited and Excel Star Technology Limited from independent third parties for considerations of HK$15,000,000 and HK$13,000,000 respectively, which have been fully paid during the year.

The acquired businesses contributed revenue of HK$1,621,000 and net loss of HK$1,010,000 to the Group from the date of acquisition to 30 September 2005.

Details of the net assets acquired and goodwill arising therefrom are as follows:

	HK$'000
Cash consideration	28,000
Fair value of net assets acquired	2,544
Goodwill	25,456

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisitions.

The assets and liabilities arising from the acquisition are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Property, plant and equipment	1,797	—
Trade receivables, other receivables and deposits	1,532	—
Trade and other payables	(824)	—
Cash at bank	976	—
Minority interests	(937)	—
Net assets acquired	2,544	—
Goodwill on acquisition	25,456	—
Cash consideration	28,000	—
Net cash outflow in respect of the acquisition:		
Cash consideration paid	(28,000)	—
Cash at bank acquired	976	—
	(27,024)	—

During the year ended 30 September 2003, the Group acquired the entire equity interest in Chinaway Network Technology Limited from independent third parties for a total consideration of HK$35,000,000, of which HK$13,000,000 was paid prior to 30 September 2003 and the remaining balance of HK$22,000,000 was paid during the year ended 30 September 2004.

27. OPERATING LEASE COMMITMENTS

Group

At 30 September 2005, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2005 Land and buildings *HK$'000*	2004 Land and buildings *HK$'000*
Within one year	452	228
In the second to fifth years	75	152
	527	380

The Group leases three properties under operating leases. The leases run for an initial period of one to three years, with an option to renew the lease terms of the expiry date or at dates as mutually agreed between the Group and respective landlord. None of the leases include contingent rentals.

Company

The Company did not have any significant operating lease commitments at the balance sheet date.

28. CAPITAL COMMITMENTS

	Group	
	2005 *HK$'000*	2004 *HK$'000*
Contracted but not provided for in the financial statements in respect of construction costs for certain buildings in the PRC	—	1,245

Company

The Company did not have any significant commitments as at 30 September 2005.

29. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at the balance sheet date.

30. POST BALANCE SHEET EVENTS

(a) On 26 August 2005, an agreement was entered into between Open Challenge, a wholly-owned subsidiary of the Company, and Jet Palace, an independent third party, pursuant to which Jet Palace agreed to sell and Open Challenge agreed to purchase the entire issued share capital of Golden Portal at a consideration of HK$16,000,000 (subject to downward adjustment). Golden Portal is incorporated in the BVI and, through its direct wholly-owned subsidiary, Capital Access Limited ("Capital Access"), holds 70% of the issued share capital of Bartech (International) Information Network Limited ("Bartech") which is principally engaged in the provision of on-line financial information services.

The consideration was to be satisfied to the extent of HK$4,000,000 by cash and to the extent of HK$12,000,000 by Open Challenge procuring the issue of a maximum of 120,000,000 new shares in the Company, credited as fully paid at par. Details of the transaction are set out in the Company's circular dated 16 September 2005. The cash consideration of HK$4,000,000 was paid on 6 September 2005. On 30 September 2005, 120,000,000 new shares of HK$0.10 each in the Company were issued to Jet Palace at a price of HK$0.15 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 30 September 2005. This acquisition has not been completed as at 30 September 2005 as certain conditions precedent have not been fulfiled. Accordingly, the total consideration paid was shown as "Consideration paid for acquisition of subsidiaries" under non-current assets.

Subsequent to the balance sheet date, the acquisition was completed and Golden Portal, Capital Access and Bartech became subsidiaries of the Company.

The Group is in the process of making an assessment of the goodwill on acquisition arising from this transaction but is not yet in a position to conclude on this.

(b) On 20 February 2006, Appraise Asia Investments Limited ("Appraise Asia"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with certain independent third parties. Pursuant to the conditional sale and purchase agreement, Appraise Asia agreed to acquire the entire issued share capital of SLS Investments Limited ("SLS") at a total consideration of HK$54,000,000, which is to be satisfied to the extent of HK$12,000,000 by cash and to the extent of HK$42,000,000 by issue and allotment 300,000,000 new shares ("Consideration Shares") in the Company at an issue price of HK$0.14 per share. SLS is principally engaged, through its subsidiaries, in the provision of broadband Internet access, telecommunication value added services and related business via proprietary Internet network in Beijing, the PRC. The proposed transaction is subject to, inter alia, the approval of the Company's shareholders at a special general meeting to be convened at a later date, the relevant parties obtaining all consents or approval from the PRC government authorities and the approval of the Stock Exchange to grant the listing of, and permission to deal in, the Consideration Shares. Details of this transaction are set out in the Company's announcement dated 20 February 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING AND FINANCIAL REVIEW

During the financial year under review, the Group recorded a turnover of approximately HK$42.8 million, representing a decrease of around 68.8% as compared to the previous period HK$137.0 million, because of the disposal of the manufacturing arm under the footwear business. The disposal was attributable to the upsurge of direct labor costs in the PRC, fluctuation in raw material prices and tough competition footwear business environment around the world. Amongst the turnover, the footwear business section participated 38.8% of sales.

After having been diversifying into the information technology business since the last financial year, the IT business contributed a turnover of HK$26.2 million, whereas it was underlying an around 61.2% of the Group's turnover.

The following table provides an analysis of the Group's revenue by geographical market and business segmentation

	For the financial year ended 30 September 2005		**For the financial year ended 30 September 2004**		**Percentage of change Yr. to Yr.**
	HK$'000	*%*	*HK$'000*	*%*	*%*
Footwear Business	16,606	39	105,884	77	(84)
IT Business					
— Trading	20,326		31,059		
— Services	5,877		46		
	26,203	61	31,105	23	(16)
TOTAL	42,809	100	136,989	100	(69)

The gross profit margin improved from -15% to 4.7% partly in reflection of the implementation of an appropriate strategy under such an adverse atmosphere in the footwear industry. Throughout the past two years, the footwear industry has been facing an unprecedented challenge regarding an exceptional volatile raw material price and inflation of direct labor cost in the PRC. As a result, the Group disengaged its manufacturing subsidiary, Kaitai Group, in order to minimize the operational risks and reduce the direct cost. Along with a conservative strategy by the Group to focus in acquiring trading business with an acceptable rate of return, a positive gross profit margin figure was reported in the footwear business during this financial year.

Regarding the IT division, it also furnished a positive gross profit margin during this financial year although it was going through its development stage.

Due to the shrinkage of sales volumes in footwear business and experiencing a development stage in the IT stream under our revenue diversification model, the net profit margin excluding those impairment of goodwill gave a figure of negative 15.0% as a result of not attaining economies of scale in operation. Nevertheless, the Group is still implementing a tight cost control policy in the coming year.

Amongst the operating expenses, over 83.9% of operating expenses (i.e. HK$51.8 million) was non-cash expenditure items in relation to the impairment of goodwill for subsidiaries. This figure represented the early adoption of the new accounting treatment as recommended by the Hong Kong Institute of Certified Public Accountants commencing 1 January 2006 while the management concurred to accept a prudent opinion in these items as well.

The Group recorded a loss attributable to shareholders amounted to approximately HK$58.2 million because of (1) net operational loss stemming from the disposed manufacturing arm, (2) lacking optimal economies of scale in IT section and (3) significant impairment for the IT business division.

NEW BUSINESS

The Group had acquired three IT companies in Hong Kong and the PRC, they were Excel Star Technology Limited ("Excel Star"), Popular Asset Limited ("Popular Asset") and Golden Portal Holdings Limited ("Golden Portal"), since last financial year end.

Excel Star holds 51% interest in a Sino-foreign equity joint venture enterprise, Jiaxing Easeful Communication Co., Ltd. ("JV Company"), established in the PRC. The JV Company is principally engaged in the provision of system integration, telecom-related and software development services in the PRC. Details of this acquisition were disclosed in the Company's circular dated 14 October 2004.

Popular Asset is principally engaged in the business of the provision of information technology and telecommunication facility management services. Details of this acquisition were disclosed in the Company's circular dated 28 January 2005.

Golden Portal indirectly holds 70% interests in Bartech (International) Information Network Limited ("Bartech"). Bartech is principally engaged in the provision of on-line financial information of Hong Kong, the PRC and certain American and European markets. Details of this acquisition were disclosed in the Company's circular dated 16 September 2005.

Throughout these acquisitions, our IT platform of the Group has been strengthened to broaden our revenue bases and enhance the Group's profit margin in the long run.

As of 20 February 2006, the Company is going to acquire SLS Investments Limited ("SLS") as disclosed. SLS indirectly holds 100% interests in Woda Taifeng and 70% interests in Tianxun (collectively "SLS Group"). SLS Group engaged in the provision of system development, integration and consulting services on internet network & applications development and indirectly holds 40% interest in 北京市海淀區有線廣播電視網絡信息有限公司 (Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Haidian")). Haidian is a broadband internet service provider in Beijing and engaged in the provision of broadband internet access, telecommunication value added services and related business via its proprietary internet network in Beijing, the PRC. Details of this potential acquisition were disclosed in the Company's announcement dated 20 February 2006.

OUTLOOK

As disclosed in the Chairman's Statement, the Group is anticipated to encounter envisaged challenges in the coming year.

Currently, the Group has participated in the IT business of system integration, IT & telecommunication facility management services, telecom-related & software development services and financial information content provider. After having been diversifying into information technology business for two years, the IT division is still undergoing its development stage. The Group will continue to execute the inorganic growth strategy in acquisition of potential business opportunities with synergy to our existing IT portfolio.

Regarding the footwear division, the Group will implement a tighten strategy to cope with the market sentiment.

The Group will be very cautious in allocating its resources and will keep on exploring other suitable business opportunities and diversifying its investment to other potential industries with favourable investment return and prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group maintained cash and bank balances of approximately HK$20.0 million (30 September 2004: HK$54.9 million) without any borrowings (30 September 2004: HK$3.2 million).

The gearing ratio of the Group as of 30 September 2005 was reduced to null (30 September 2004: 2.8%) after the disposal of the manufacturing factory. During the year under review, the Group had allotted 120,000,000 new shares as part of consideration to acquire a financial information content provider. As a result, the share capital was increased from HK$103 million to HK$115 million after the acquisition.

As of 30 September 2005, the Group's working capital (net current assets) and current ratio were approximately HK$49.1 million (30 September 2004: HK$75.5 million) and 7.8x (30 September 2004: 3.4x) respectively. In term of the quality of current assets, over 34% of current assets were cash at banks. As a result, the Group is expected to preserve a healthy liquidity position.

The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2005, no asset (30 September 2004: HK$1.9 million) was pledged by the Group to secure any bank facility after the disposal of the manufacturing arm.

The Group had no significant contingent liabilities as at 30 September 2005 (2004: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 September 2005, the Group employed approximately 30 employees.

The Company maintains a share option scheme (the "Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

During the year, no share option was granted or exercised.

Certified Public Accountants
Member of Grant Thornton International

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11 Pedder Street, Central
Hong Kong

30 June 2006

The Directors
Sunny Global Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding SLS Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 1 July 2004 (date of incorporation) to 31 December 2004, and for the year ended 31 December 2005 (collectively known as the "Relevant Periods"), for inclusion in the circular of Sunny Global Holdings Limited ("Sunny Global") dated 30 June 2006 (the "Circular") in connection with the proposed acquisition of the entire interest in the Company by Appraise Asia Investments Limited (the "Purchaser"), a wholly owned subsidiary of Sunny Global, pursuant to the sale and purchase agreement dated 20 February 2006 entered into between Goldlite International Limited, Wyndham Profit International Limited and Hikari International Limited (collectively the "Vender") and the Purchaser.

The Company was incorporated in the British Virgin Islands on 1 July 2004 with limited liability. Its principal activity is investment holding and its subsidiaries are engaged in the provision of telecommunication value added services and internet technology consultancy services.

The Financial Information as set out in this report has been prepared based on the management accounts of the Company and the Group for the Relevant Periods.

As explained in notes 1 and 2.2 to the Financial Information in this Appendix and in the section headed "Information on the Group" in the Circular, the Group is mainly engaged in the provision of telecommunication value added services and internet technology consultancy services. Since the PRC Law and regulations limit foreign ownership of companies providing telecommunication value added services and in order to enable the Company's sino-foreign cooperative subsidiary to make investments into this business, certain contractual arrangements have been made among the Group. The Financial Information for the Relevant Periods includes those of the Company, its wholly owned subsidiary, Gala Success (Asia) Limited ("Gala Success"), its 89% owned subsidiary, 北京沃達泰豐咨詢有限公司 ("Woda"), and its 70% owned subsidiary, 北京天迅視通科技發展有限公司 ("Tianxun").

Tianxun is consolidated as a subsidiary because it is controlled by the Company through certain contractual arrangements which transfer substantially all the economic risks and rewards of Tianxun to the Company.

Please refer to the notes 21 to the Financial Information in this Appendix for details of subsidiaries in which the Company has effective/ deemed interests.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA on the management accounts of the Company and the Group for the Relevant Periods. We have also carried out additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The preparation of the management accounts is the responsibility of the directors of the Company. The directors of the Company are responsible for preparing the Financial Information which gives a true and fair view. The directors of Sunny Global are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility, based on our examination, to form an independent opinion on the Financial Information and to report our opinion solely to you.

In our opinion, for the purpose of this report, the Financial Information together with the notes thereto, gives a true and fair view of the Company's and the Group's state of affairs as at 31 December 2004 and 31 December 2005 and the results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

Consolidated income statement

	Notes	From 1 July 2004 (date of incorporation) to 31 December 2004 HK$'000	From 1 January 2005 to 31 December 2005 HK$'000
Revenue	4	—	385
Imputed interest expense on amount due to a related company		—	(123)
Bank interest income		—	5
Excess of the Group's interest in the fair value of net identifiable assets acquired over cost of business combination	20	—	1,444
Share of results of an associate		—	(172)
Operating and administrative expenses		(10)	(617)
(Loss)/Profit before income tax	6	(10)	922
Income tax expense	7	—	(1)
(Loss)/Profit for the period/year		(10)	921
(Loss)/Profit attributable to:			
Equity holders of the Company	24	(10)	988
Minority interests		—	(67)
Profit/(Loss) for the year/period		(10)	921

Consolidated balance sheet

		As at 31 December	
	Notes	**2004**	**2005**
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	—	345
Interest in an associate	11	—	6,781
		—	7,126
Current assets			
Trade and other receivables	12	—	1,124
Amount due from a director	13	—	61
Cash at banks		2	1,037
		2	2,222
Current liabilities			
Other payables		—	450
Amounts due to shareholders	15	—	1,209
Amount due to a director	13	12	—
		12	1,659
Net current (liabilities)/assets		(10)	563
Total assets less current liabilities		(10)	7,689
Non-current liability			
Amount due to a related company	14	—	6,361
Net (liabilities)/assets		(10)	1,328
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	—	78
Reserves	19	(10)	994
		(10)	1,072
Minority interests		—	256
Total equity		(10)	1,328

Balance sheet

	Notes	As at 31 December 2004 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	21	—	10
Current assets			
Amount due from a subsidiary	16	—	1,209
Amount due from a director	13	—	61
Cash at bank		2	2
		2	1,272
Non-current liabilities			
Amount due to a director	13	12	—
Amount due to a subsidiary	16	—	10
Amounts due to shareholders	15	—	1,209
		12	1,219
Net current (liabilities)/assets		(10)	53
Total assets less current liabilities		(10)	63
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	—	78
Reserves	19	(10)	(15)
Total equity		(10)	63

Consolidated cash flow statement

	Notes	From 1 July 2004 (date of incorporation) to 31 December 2004 HK$'000	From 1 January 2005 to 31 December 2005 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(10)	922
Adjustments for:			
Depreciation on property, plant and equipment		—	30
Imputed interest expense on amount due to a related company		—	123
Bank interest income		—	(5)
Share of results of an associate		—	172
Excess of the Group's interest in the fair value of net identifiable assets acquired over cost of business combination	20(b)	—	(1,444)
Operating loss before working capital changes		(10)	(202)
Decrease in trade and other receivables		—	497
Increase in other payables		—	276
Increase in amounts due to shareholders		—	1,209
Increase/(Decrease) in amount due to Director		12	(73)
Cash generated from operating activities		2	1,707
Cash flows from investing activities			
Acquisition of subsidiary (net of cash at banks acquired)	20(c)	—	(771)
Interest received		—	5
Net cash used in investing activities		—	(766)
Cash flows from financing activities			
Issue of new shares		—	78
Net cash generated from financing activities		—	78
Net increase in cash and cash equivalents		2	1,019
Cash at banks at the beginning of the period/year		—	2
Effect of foreign exchange rate changes, on cash held		—	16
Cash at banks at the end of the period/year		2	1,037

Consolidated statement of changes in equity

	Equity attributable to equity holders of the Company				
	Share capital	**Exchange reserve**	**Retained profits / (Accumulated losses)**	**Minority interests**	**Total Equity**
	HK$'000	*HK$'000*	*HK$000*	*HK$'000*	*HK$'000*
Loss for the period and total recognised expense for the period	—	—	(10)	—	(10)
Balance at 31 December 2004	—	—	(10)	—	(10)
Balance at 1 January 2005	—	—	(10)	—	(10)
Currency translation (Net income recognised directly in equity)	—	16	—	—	16
Profit for the year	—	—	988	(67)	921
Total recognised income and expense for the year	—	16	988	(67)	937
Acquisition of subsidiaries	—	—	—	323	323
Proceeds from shares issued	78	—	—	—	78
Balance at 31 December 2005	78	16	978	256	1,328

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is located at the premise of Commonwealth Trust Limited, Drake Chambers, Road Town, Tortola, British Virgin Islands and, its principal place of business is in Hong Kong. The principal activity of the Company is investment holding.

The operations of the Group were conducted through the Company and its subsidiaries namely Gala Success (Asia) Limited ("Gala Success"), a limited liability company incorporated in Hong Kong, and 北京沃達泰豐咨詢有限公司 ("Woda"), a sino-foreign cooperative enterprise established in the PRC, and 北京天迅視通科技發展有限公司 ("Tianxun"), an enterprise established in the People's Republic of China (the "PRC"). The subsidiaries are principally engaged in the provision of telecommunication value added services and internet technology consultancy services.

Since the PRC laws and regulations limit foreign ownership of companies providing telecommunication valued added services and in order to enable the Company's sino-foreign cooperative subsidiary to make investments into this business, an equity transfer agreement and a loan agreement were signed on 21 February 2006 between Woda and a PRC nominee, who is an independent third party, pursuant to which the PRC nominee will act as the registered owner of Tianxun ("Registered Owner") on behalf of Woda. Pursuant to the equity transfer agreement and the loan agreement, the Registered Owner pledged the equity interest in Tianxun to Woda. The Registered Owner would also execute an irrevocable power of attorney with a representative to be appointed by Woda whereby Woda would have the controlling interest of Tianxun.

There are also contractual service agreement signed on 19 December 2005 between Woda and Tianxun which transfer substantially all the economic risks and rewards of Tianxun to the Woda.

Through the contractual arrangement as mentioned above which transfer substantially all the economic risks and rewards of Tianxun to Woda, the decision-making rights and operating and financial activities of Tianxun are ultimately controlled by the Company. The Company is also entitled to substantially all of the operating profits and residual benefits generated by Tianxun under the contractual arrangements. In particular, the Registered Owner is required under the contractual arrangements with the Group to transfer its interests in Tianxun to the Group. Tianxun is therefore consolidated as subsidiary in this financial statement.

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also included Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The significant accounting policies that have been used in the preparation of this financial information are summarised below.

The financial information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and Tianxun (company consolidated for accounting purposes) made up to 31 December each year.

The Company has concluded that it is appropriate to include Tianxun in its consolidated financial statements, notwithstanding the lack of direct equity ownership, because in substance the arrangements described above in note 1 give the Company's subsidiary, Woda, control over Tianxun by way of controlling the voting rights of Tianxun , governing its financial and operating policies and appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meeting of such authorities. In addition, such contractual arrangements also transfer substantially all the economic risks and rewards of Tianxun to Woda.

2.3 **Subsidiaries and companies consolidated for accounting purposes**

Subsidiaries and companies consolidated for accounting purposes are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries and companies consolidated for accounting purposes are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

2.4 **Associates**

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. Investment in associates is initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associate identified on acquisition.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post- acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 **Foreign currency translation**

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.6 **Income and expense recognition**

Revenue comprises the fair value for the services fees and after eliminated inter-company transactions within the Group. Revenue is recognised as follows:

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Operating expenses are recognised in the income statement upon utilisation of the services.

2.7 **Property, plant and equipment**

All property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Network equipment	5 years with 5% residue value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2.8 **Impairment of assets**

Property, plant and equipment and interest in an associate are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

2.10 **Financial assets**

The Group classifies its financial assets other than hedging instruments into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date, whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2.11 **Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

2.12 **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.13 **Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

2.14 **Retirement benefit costs**

Retirement benefits to employees are provided through a defined contribution plan.

The employees of the Group's subsidiary which operates in PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the basic salaries of their employee to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.15 **Financial liabilities**

The financial liabilities include other payables, amount due to a subsidiary, amount due to a related company and amounts due to shareholders.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Other payables, amount due to a subsidiary, amount due to a related company and amounts due to shareholders are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

2.16 **New standards or interpretations that have been issued but are not yet effective**

The Group has not early adopted the following Standards or interpretations of HKFRS that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments — Disclosures[1]
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) - Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) - Int 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3]
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) - Int 8	Scope of HKFRS 2 [5]
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives [6]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 January 2006

[3] Effective for annual periods beginning on or after 1 December 2005

[4] Effective for annual periods beginning on or after 1 March 2006

[5] Effective for annual periods beginning on or after 1 May 2006

[6] Effective for annual periods beginning on or after 1 June 2006

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical judgements in applying the entity's accounting policies.

Interest in an associate

Careful judgement by the Company's management is applied in assessing the net asset value of its associate. The associate depreciates and amortises the property, plant and equipment on straight line basis over the estimated useful life, and after taking into account of their estimated residual value at the rates of 5% to 20% per annum, commencing from the date on which the assets are placed into productive use. The estimated useful life and dates that the associate places the assets into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment.

4. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents income from provision of telecommunication valued added services and internet technology consultancy.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operation is regarded as a single business segment which is provision of internet technology consultancy services.

Analysis of the Group's revenue and results as well as analysis of the carrying amount of segment assets and capital additions by geographical market has not been presented as they are substantially generated from or situated in the PRC.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	From 1 July 2004 (date of incorporation) to 31 December 2004	From 1 January 2005 to 31 December 2005
	HK$'000	*HK$'000*
(Loss)/Profit before income tax is arrived at after charging:		
Operating lease charges on land and buildings	—	22
Depreciation on property, plant and equipment	—	30
Exchange loss, net	—	2
Auditors' remuneration	—	12
Directors' remuneration	—	—

7. INCOME TAX EXPENSE

	From 1 July 2004 (date of incorporation) to 31 December 2004	**From 1 January 2005 to 31 December 2005**
	HK$'000	*HK$'000*
Tax charge comprises:		
PRC income tax for current period/year	—	1

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit in Hong Kong for the year.

PRC income tax has been provided at the rate of 33% on the estimated assessable profits of the PRC subsidiaries.

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	From 1 July 2004 (date of incorporation) to 31 December 2004	**From 1 January 2005 to 31 December 2005**
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	(10)	922
Tax on (loss)/profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	(1)	278
Tax effect of non-deductible expenses	—	200
Tax effect of non-taxable revenue	—	(477)
Tax effect of tax loss not recognised	1	—
Income tax expense	—	1

8. EMPLOYEE BENEFIT EXPENSE

	From 1 July 2004 (date of incorporation) to 31 December 2004	From 1 January 2005 to 31 December 2005
	HK$'000	*HK$'000*
Wages and salaries	—	10
Pension costs — defined contribution plans	—	1
	—	11

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

9.1 Five highest paid individuals

There are only three individuals (2004: NIL), whose emoluments were the highest in the Group. The emoluments payable to these individuals during the period/ year are as follows:

	From 1 July 2004 (date of incorporation) to 31 December 2004	From 1 January 2005 to 31 December 2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	—	10
Pension costs — defined contribution plans	—	1
	—	11

The emoluments fell within the following bands:

	Number of individuals 2004	2005
Emolument bands		
HK$nil - HK$1,000,000	—	3

9.2 Directors' emoluments

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Network equipment *HK$'000*
Period ended 31 December 2004	
Additions	—
Depreciation	—
Closing net book amount	—
Year ended 31 December 2005	
Opening net book amount	—
Acquisition of subsidiary (Note 20)	375
Depreciation	30
Closing net book amount	345
At 31 December 2005	
Cost	375
Accumulated depreciation	30
Net book amount	345

11. INTEREST IN AN ASSOCIATE

	2004 *HK$'000*	2005 *HK$'000*
Unlisted investment, at cost	—	6,953
Share of post acquisition results of an associate	—	(172)
	—	6,781

Particulars of the associate at 31 December 2005 are as follows:

Name of associate	Country of incorporation	Particulars of registered capital	Percentage of equity interest attributable to the Group	Principal activities and place of operations
北京市海淀區有線廣播電視網絡信息有限公司	PRC	RMB30,000,000	24.92%	Provision of telecommunication value added services and internet technology services, PRC

The summarised financial information in respect of the Group's associate is set out below:

	2004	2005
	HK$'000	*HK$'000*
Assets	—	47,539
Liabilities	—	30,585

		From 19 August 2005 (date of acquisition) to 31 December 2005
		HK$'000
Revenue	—	4,900
Loss for the period	—	429

12. TRADE AND OTHER RECEIVABLES

	2004	2005
	HK$'000	*HK$'000*
Trade receivables	—	385
Other receivables	—	739
	—	1,124

The credit period of the Group's services is generally 90 days to its customers.

At 31 December 2005, the ageing analysis of the trade receivable was as follows:

	2004	2005
	HK$'000	*HK$'000*
0-30days	—	385

13. AMOUNT DUE FROM / (TO) A DIRECTOR

The amount due from/ (to) a director is unsecured, interest free and repayable on demand.

14. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company of HK$6,731,000 is unsecured, interest free and will not be repayable in the next twelve months from the balance sheet date.

In accordance with HKAS 39, the amount due to a related company is initially recognised at fair value of HK$6,238,000. As at 31 December 2005, the amount is stated at amortised cost calculated using an effective interest rate of 6.03%.

15. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest free and repayable on demand.

16. AMOUNT DUE FROM / (TO) A SUBSIDIARY

The amount due from/ (to) a subsidiary is unsecured, interest free and repayable on demand.

17. DEFERRED TAX

No deferred tax has been provided in the financial statements as there are no material timing differences.

18. SHARE CAPITAL

	2004		2005	
	Number of shares	**US$**	**Number of shares**	**US$**
Authorised:				
Ordinary shares of US$1.00 each	50,000	50,000	50,000	50,000

	Number of shares	**Ordinary shares**	**Convert into**
		US$	*HK$'000*
Issued and fully paid:			
shares issued	1	1	—
At 31 December 2004	1	1	—
shares issued	9,999	9,999	78
At 31 December 2005	10,000	10,000	78

Pursuant to a resolution passed on 22 January 2005, the issued share capital of the Company was increased from US$1.00 (equivalent to HK$7.8) to US$10,000 (equivalent to HK$78,000) by creation of 9,999 shares of US$1.00 each which shall rank pari passu in all respects with the existing shares of the Company.

19. RESERVES

GROUP

	Exchange reserves *HK$'000*	Retained profits / (Accumulated losses) *HK$'000*	Total *HK$'000*
Loss for the period	—	(10)	(10)
Balance at 31 December 2004	—	(10)	(10)
Currency translation	16	—	16
Profit for the year	—	988	988
Balance at 31 December 2005	16	978	994

COMPANY

	Exchange reserves *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Loss for the period	—	(10)	(10)
Balance at 31 December 2004	—	(10)	(10)
Currency translation	—	—	—
Loss for the year	—	(5)	(5)
Balance at 31 December 2005	—	(15)	(15)

20. BUSINESS COMBINATIONS — ACQUISITION OF SUBSIDIARIES

(a) On 1 July 2005, the Group acquired 100% of the paid in capital of Gala Success, an investment holding company.

Details of the net identifiable assets acquired and excess of the Group's interest in the fair value of net identifiable assets acquired over cost of combination are as follows:

	HK$'000
Total purchase consideration in cash	10
Fair value of net identifiable assets acquired	10
Excess of the Group's interest in the fair value of net identifiable assets acquired over cost of business combination	—

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	*HK$'000*
Amounts due from shareholders	10	10
Net identifiable assets acquired	10	10

(b) On 19 August 2005, Gala Success acquired 89% of the registered capital of Woda which is principally engaged in investment holding and provision of telecommunication value added services and internet technology consultancy services. The acquired business contributed revenues of HK$385,000 and consolidated loss after taxation of HK$ 368,000 which included the group of subsidiaries.

If the acquisition had occurred on 1 January 2005, the Group's revenue would have been HK$385,000 and consolidated profit after taxation would have been HK$835,000 for the year ended 31 December 2005.

Details of the net identifiable assets acquired and excess of the Group's interest in the fair value of net identifiable assets acquired over cost of business combination are as follows:

	HK$'000
Total purchase consideration in cash	1,167
Fair value of net identifiable assets acquired	2,611
Excess of the Group's interest in the fair value of net identifiable assets acquired over cost of business combination	(1,444)

The excess of the Group's interest in the fair value of the net identifiable assets acquired over cost of business combination attributable to the new technology and further investments to be made to the acquired business after the Group's acquisition of Woda.

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	*HK$'000*
Cash at banks	406	406
Property, plant and equipment	375	375
Interest in an associate	6,953	6,953
Other receivables	1,612	1,612
Other payables	(174)	(174)
Amount due to a related company	(6,238)	(6,238)
Net assets	2,934	2,934
Minority interests	(323)	
Net identifiable assets acquired	2,611	

(c)

Total purchase consideration settled in cash	(1,177)
Cash at banks in subsidiaries acquired	406
Net cash outflow on acquisition	(771)

The subsidiaries acquired contributed HK$1,776,000 to the Group's operating cash inflows, utilised HK$ 766,000 for investing activities and paid HK$10,000 for financing activities.

21. INTEREST IN SUBSIDIARIES AND COMPANIES CONSOLIDATED FOR ACCOUNTING PURPOSES

COMPANY

	2004	**2005**
	HK$'000	*HK$'000*
Unlisted investments, at cost	10	10

Particulars of the subsidiaries and companies consolidated for accounting purposes at 31 December 2005 are as follows:

Name	Place / country of incorporation and kind of legal entity	Particulars of issued/ registered capital	Effective/ Deemed interest held by the Company	Principal activities and place of operations
Gala Success (Asia) Limited ("Gala")	Hong Kong, limited liability company	Issue capital HK$10,000	100%*	Investment holding, Hong Kong
北京沃達泰豐咨詢有限公司 ("Woda")	PRC, sino-foreign cooperative enterprise	Registered capital RMB 1,500,000	89%	Investment holding, provision of telecommunication value added services and internet technology consultancy services, PRC
北京天迅視通科技發展有限公司 ("Tianxun")	PRC, private limited liability company	Registered capital RMB1,000,000	62.3%	Investment holding, provision of telecommunication value added services and internet technology consultancy services, PRC

* Shares held directly by the Company.

22. OPERATING LEASE COMMITMENTS

Group

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2004 Office premises *HK$'000*	2005 Office premises *HK$'000*
Within one year	—	95
In the second to fifth years	—	14
	—	109

The Group leases three properties under operating leases. The leases run for an initial period of one to two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

The Company does not have any significant operating lease commitments.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

23.1 Foreign currency risk

Major subsidiaries of the Group operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against the Hong Kong dollars. It has not hedged its foreign exchange rate risk. However the management monitors foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

23.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

23.3 Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

Discounted cash flow method is used to determine fair value for long term liabilities.

24. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$988,000 (2004: Loss of HK$10,000), a loss of HK$15,000 (2004: HK$10,000) has been dealt with in the financial statements of the Company.

25. SUBSEQUENT EVENTS

There were no significant subsequent events after 31 December 2005.

26. SUBSEQUENT ACCOUNTS

No audited financial statements have been prepared for the companies comprising the Group in respect of any period subsequent to 31 December 2005.

Yours faithfully,
Grant Thornton
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of consolidated assets and liabilities of the Group and the SLS Group (collectively the "Enlarged Group") has been prepared to demonstrate the effect of the Acquisition on the consolidated statement assets and liabilities of the Group on the assumption that SLS would have become a wholly-owned subsidiary of Appraise Asia Investments Limited as if the Acquisition had been completed on 30 September 2005 with further adjustments as explained in the notes below.

The unaudited pro forma statement of consolidated assets and liabilities has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 30 September 2005 or at any future dates.

The historical statement of consolidated assets and liabilities of the Group and the SLS Group have been extracted from the respective audited financial statements in respect of the year ended 30 September 2005 and 31 December 2005, respectively, as set out in Appendices II and III to the Circular.

	Audited The Group As at 30 September 2005	Audited SLS Group As at 31 December 2005	Pro forma Adjustments			Unaudited pro forma balance of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	2,064	345				2,409
Investment in subsidiary	—	—	41,569	(41,569)		—
Interest in an associate	—	6,781				6,781
Goodwill	—	—		40,497		40,497
Consideration paid for acquisition of subsidiaries	22,000	—				22,000
	24,064	7,126				71,687
Current assets						
Trade receivables, other receivables and deposits	36,339	1,124			61	37,524
Amount due from a director	—	61			(61)	—
Cash at banks	19,965	1,037	(12,000)			9,002
	56,304	2,222				46,526

	Audited The Group As at 30 September 2005	Audited SLS Group As at 31 December 2005	Pro forma Adjustments			Unaudited pro forma balance of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Current liabilities						
Trade and other payables	7,222	450				7,672
Amount due to shareholders	—	1,209			(1,209)	—
Other payables	—				1,209	1,209
	7,222	1,659				8,881
Net current assets/(liabilities)	49,082	563				37,645
Total assets less current liabilities	73,146	7,689				80,835
Non-current liabilities						
Amount due to a related company	—	6,361	(6,361)			—
Net assets	73,146	1,328				109,332

Notes:

1. Pursuant to the Audited Financial Statement of the Group as at 30 September 2005.

2. Pursuant to the Accountants' Report of the SLS Group in the Appendix III to the Circular as at 31 December 2005.

3. According to the sale and purchase agreement on 20 February 2006, the Purchaser, Appraise Asia, a wholly-owned subsidiary of the Company, conditionally agreed to purchase the Sale Shares, representing the entire equity interest of SLS, at a total consideration of HK$54,000,000. The total consideration would be settled which is to be satisfied to the extent of HK$12,000,000 by cash and to the extent of HK$42,000,000 by issue and allotment of 300,000,000 new shares (the "Consideration Shares") of the Company at an issue price of HK$0.14 per share, credited as fully paid at par. Also, the debt of RMB7.0 million (approximately HK$6.7 million which was stated at amortised cost of HK$6.3 million as disclosed under note 14 in the Accountants' Report on the SLS Group in Appendix III to the Circular) would be assigned to Appraise Asia at HK$1.00 upon the Completion.

   As there was supsensed trading on 20 February 2006, refer to the last trading which was on 26 January 2006. The closing price on that day was HK$0.121.

4. Goodwill was recognised from the acquisition of the SLS Group with the net asset value of HK$1,072,000 which was the equity attributable to equity holders of the SLS Group as disclosed on page 81 of the Accountants' Report on the SLS Group in Appendix III to the Circular.

5. Re-classification of the account under the Enlarged Group.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is a text of the letter from Grant Thornton, the reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group, prepared for the purpose of incorporation in this circular.

Grant Thornton
均富會計師行

13th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 June 2006

The Directors
Sunny Global Holdings Limited
13th Floor
Harbour Commercial Building
122-124 Connaught Road
Central
Hong Kong

Dear Sirs

Sunny Global Holdings Limited

We report on the unaudited pro forma financial information of Sunny Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Enlarged Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the acquisition of SLS Investments Limited might have affected the financial information presented, for inclusion in Appendix IV of the Company's circular dated 30 June 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information of the Enlarged Group is set out in the section headed "Unaudited Pro Forma Financial Information Of The Enlarged Group" is set out on pages 102 to 107 in Appendix IV to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information of the Enlarged Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidelines 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules on the unaudited pro forma financial information of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, will constitute primarily of comparing the unaudited financial information of the Enlarged Group with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information of the Enlarged Group with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information of the Enlarged Group is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 September 2005 or of any future date.

Opinion

In our opinion:

a. the unaudited pro forma financial information of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Grant Thornton
Certified Public Accountants
Hong Kong

INDEBTEDNESS

Apart from intra-group liabilities, the Group did not, as at the close of business on 30 April 2006, have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 30 April 2006.

WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including internally generated funds, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirement for at least the next 12 months from the date of publication of this Circular.

MATERIAL ADVERSE CHANGE

Save for the Acquisition as disclosed in the Letter from the Board, there have been no material changes in the financial or trading position of outlook of the Group since 30 September 2005 (being the date to which the latest audited financial statements of the Group were made up).

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 contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following Completion are expected to be, as follows:

Authorised		*HK$*
5,000,000,000	shares of HK$0.10 each	500,000,000
Issued and to be issued as fully paid		
1,150,000,000	shares of HK$0.10 each	115,000,000
300,000,000	Consideration Shares to be issued upon Completion *(Note)*	30,000,000
1,450,000,000	Shares in issue immediately following Completion	145,000,000

Note: This assumes that no Shares are issued other than the Consideration Shares issued under the Sale and Purchase Agreement.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the Directors and the chief executive of the Company had or was deemed to have the following interests and short positions in the Shares, underlying Shares and debentures of the Company) which (a) were required to be notified to the Company and the Stock Exchange and the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital
Mr. Lee Man Fa	Corporate	302,500,000	26.30%

Notes: The 302,500,000 Shares referred to above comprise 196,792,000 Shares and 105,708,000 Shares held by Info Fortune Holdings Limited and Rainbow Bridge Group Limited respectively, both of which are wholly owned by Mr. Lee Man Fa.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which had 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 which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following are details of the persons (other than a director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares in 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 were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of Shareholder	Capacity	Number of Shares held	Percentage of the issued share capital
Info Fortune Holdings Limited	Beneficial owner *(Note)*	196,792,000	17.11%
Rainbow Bridge Group Limited	Beneficial owner *(Note)*	105,708,000	9.19%
Grandtech Management Limited	Beneficial owner	160,544,458	13.96%
Win Power Limited	Beneficial owner	95,360,000	8.29%
Jet Palace Development Limited	Beneficial owner	120,000,000	10.44%

Notes: Both Info Fortune Holdings Limited and Rainbow Bridge Group Limited are wholly owned by Mr. Lee Man Fa.

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, other than the interest disclosed herein, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares 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 was, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company or in any options in respect of such capital.

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, 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;

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group;

(c) in so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or likely to compete with the business of the Group; and

(d) save as disclosed herein, the Company had not granted to any Director or director or chief executive of any member of the Group or to their spouses or children under 18 years of age or any of them any right to subscribe for securities in, or debenture of, the Company or any of their respective associated corporations within the meaning of Part XV of the SFO.

DIRECTORS' INTEREST IN SERVICE CONTRACTS

None of the Directors has entered or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

EXPERTS AND CONSENT

The following is the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Grant Sherman Appraisal Limited	Professional valuer
First Shanghai Capital Limited	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities registered under the SFO
Grant Thornton	Certified Public Accountants

Grant Sherman Appraisal Limited, First Shanghai Capital Limited and Grant Thornton are not beneficially interested in the share capital of any member of the Group nor have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Grant Sherman Appraisal Limited, First Shanghai Capital Limited and Grant Thornton have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters, reports and references to their names in the form and context in which they appear.

MATERIAL CONTRACTS

The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business), entered into by members of the Group, within the two years preceding the Latest Practicable Date:

(a) the sale and purchase agreement dated 24 September 2004 between Silky Limited as vendor and Appraise Asia as purchaser regarding the acquisition of the entire issued share capital of Excel Star Technology Limited at a consideration of HK$13 million (subject to downward adjustment);

(b) the sale and purchase agreement dated 7 January 2005 entered into between Fortis Development Limited as vendor and Appraise Asia as purchaser regarding the acquisition of the entire issued share capital of Popular Asset Limited at a consideration of HK$15 million (subject to downward adjustment);

(c) the sale and purchase agreement dated 31 March 2005 entered into between Fortress Ocean Limited as vendor and Jade Paradise Limited as purchaser regarding the disposal of the entire issued share capital of Kaitai United Company Limited and a debt in the amount of HK$4,892,087, being all the outstanding loans due from Kaitai United Company Limited to Fortress Ocean Limited at a total consideration of HK$12,892,087;

(d) the sale and purchase agreement dated 26 August 2005 entered into between Open Challenge Group Limited as purchaser and Jet Palace Development Limited as vendor regarding the acquisition of the entire issued share capital of Golden Portal Holdings Limited at HK$16,000,000 subject to downward adjustment; and

(e) the Sale and Purchase Agreement.

MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

(b) The company secretary and qualified accountant of the Company is Mr. Kwok Ming Fai, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(c) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited whose address is Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(d) The branch share registrar and transfer office the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose address is 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 13th Floor, Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong during the normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 30 September 2004 and 2005;

(c) the interim report of the Company for six months ended 31 March 2004 and 2005;

(d) the material contracts referred to in the paragraph headed "Material contracts" to this Appendix;

(e) the valuation report on the SLS Group, the texts of which are set out in Appendix I to this circular;

(f) the accountants' report on the SLS Group, the texts of which are set out in Appendix III to this circular;

(g) a letter from First Shanghai Capital Limited contained in this circular;

(h) a letter from Grant Thornton contained in this circular;

(i) the written consents referred to in the section headed "Experts and consent" of this appendix;

(j) the unaudited pro form financial information of the Enlarged Group, the texts of which are set out in Appendix IV to this circular;

(k) the discloseable transaction circular of the Company dated 14 October 2004 in respect of the acquisition of interest in a joint venture in the provision of system integration, telecom-related and software development services;

(l) the discloseable transaction circular of the Company dated 28 January 2005 in respect of the acquisition of the entire issued share capital of Popular Asset Limited;

(m) the major transaction circular of the Company dated 13 May 2005 in respect of the disposal of the entire issued share capital of, and a shareholder's loan due from, Kaitai United Company Limited; and

(n) the share and discloseable transaction circular of the Company dated 16 September 2005 in respect of the entire issued share capital of Golden Portal Holdings Limited.

SUNNY GLOBAL HOLDINGS LIMITED

新怡環球控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Sunny Global Holdings Limited (the "Company") will be held at the Function Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, New Territories, Hong Kong on Tuesday, 18 July 2006 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT:

(a) the sale and purchase agreement (the "**Agreement**") dated 20 February 2006 (a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) entered into between, inter alia, Appraise Asia Investments Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, Goldlite International Limited ("**Goldlite**"), Wyndham Profit International Limited ("**Wyndham**") and Hikari International Limited ("**Hikari**", together with Goldlite and Wyndham, the "**Vendors**"), in respect of the acquisition (the "**Acquisition**") by the Purchaser from the Vendors of the entire equity interest in SLS Investments Limited at a consideration of HK$54,000,000 and the transactions contemplated thereunder (including the assignment of the Debt (as defined in the circular (the "**Circular**") of the Company dated 30 June 2006) by Asset Play Investments Limited to the Purchaser or its nominee at a consideration of HK$1 and the issue of the Consideration Shares (as defined in the Circular) as part consideration for the Acquisition) be and are hereby approved; and

(b) any one director, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement and completion thereof as he/she may consider necessary, desirable or expedient."

By order of the Board
Lee Man Fa
Chairman
Hong Kong, 30 June 2006

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
13th Floor
Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. To be valid, the proxy form, together with the notarially certified power of attorney or other authority (if any) under which it is signed must be lodged with the head office and principal place of business of the Company in Hong Kong at 13th Floor, Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holder be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.

4. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy and vote at the meeting, his form of proxy will be deemed to have been revoked.

5. As at the date hereof, the board of directors of the Company comprises Messrs. Lee Man Fa, Yan Wa Tat, Kwok Ming Fai and Tai King Foon as the executive directors of the Company and Messrs. Leung Sai Cheong, Liu Kwok Wah and Wong Chi Chung as the independent non-executive directors of the Company.