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 stockbroker or other registered dealer in securities, 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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the 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

A notice convening a special general meeting of Sunny Global Holdings Limited to be held at Grand Ball Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, Kowloon, Hong Kong on Thursday, 1 March 2007 at 1:00 p.m. is set out on pages 142 to 143 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's head office and principal place of business in Hong Kong at 10B, Lee West Commercial Building, 375–379 Hennessy Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if you so wish.

* *for identification purposes only*

12 February 2007

CONTENTS

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

"acting in concert"	has the meaning ascribed to it in the Code on Takeovers and Mergers
"Agreement"	the conditional sale and purchase agreement dated 22 December 2006 entered into between Joy Century and Mr. Lam in relation to the sale and purchase of the Sale Shares
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Best Glory"	Best Glory International Limited, a company incorporated in British Virgin Islands with limited liability and the share of which is legally and beneficially owned by Mr. Lui
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Capitalisation Agreement"	the capitalisation agreement to be made among DigiSat, Mr. Lam and Best Glory pursuant to which DigiSat will allot and issue Class A Shares to settle all the outstanding Shareholders' Loans
"Class A Shares"	Class A shares of HK$1.00 each in the share capital of DigiSat
"Company"	Sunny Global Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
"connected persons"	has the meaning ascribed to it in the Listing Rules
"Consideration Shares"	358,000,000 new Shares to be allotted and issued by the Company as the consideration for the Proposed Acquisition

"DigiSat"	DigiSat Network Limited, a company incorporated in Hong Kong with limited liability
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition of DigiSat
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IPTV"	internet protocol television
"Issue Price"	the issue price of HK$0.10 per Consideration Share
"Joy Century"	Joy Century Holding Limited, a company incorporated in Samoa with limited liability, a wholly owned subsidiary of the Company and the purchaser of the Sale Shares
"Latest Practicable Date"	8 February 2007, 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
"MOU"	the non-legally binding memorandum of understanding dated 11 December 2006 entered into between Joy Century and Mr. Lam setting out the basic understanding in relation to the Proposed Acquisition
"Mr. Lui"	Lui Chun Shuen, Albert, the sole shareholder of Best Glory
"Mr. Lam"	Lam Shu Chung, the vendor of the Sale Shares
"PRC"	the People's Republic of China, for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Proposed Acquisition"	the proposed acquisition of the Sale Shares by Joy Century as contemplated under the Agreement

"Sale Shares"	such Class A Shares which represent 80% of the issued Class A Shares upon completion of the Capitalisation Agreement and are legally and beneficially owned by Mr. Lam immediately before Completion
"SGM"	the special general meeting of the Company to be convened on 1 March 2007 to consider and, if thought fit, approve the Proposed Acquisition
"Share Option Scheme"	share option scheme adopted by the Company on 12 June 2002
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Loans"	the outstanding shareholders' loans due by DigiSat to Mr. Lam and Best Glory
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"SLS"	SLS Investments Limited, a company in the British Virgin Islands with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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. Too Shu Wing *(Chairman)*
Mr. Yan Wa Tat
Mr. Tai King Foon

Non-executive Director:
Mr. Lee Man Fa

Independent non-executive Directors:
Mr. Liu Kwok Wah
Mr. Chan Wai Ming
Mr. Tsui Pak Hang

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

Head office and principal place of business in Hong Kong:
10B
Lee West Commercial Building
375–379 Hennessy Road
Wanchai, Hong Kong

12 February 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcements of the Company dated 12 December 2006 and 5 January 2007. On 12 December 2006, the Board announced that the Company entered into the MOU with Mr. Lam to acquire the Sale Shares. On 5 January 2007, the Board announced that Joy Century, a wholly owned subsidiary of the Company, entered into the Agreement with Mr. Lam to acquire the Sale Shares for a total consideration of HK$35,800,000.

The Proposed Acquisition constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and will be subject to the approval of Shareholders at the SGM.

The purpose of this circular is to provide you with further information regarding the Proposed Acquisition and to seek approval from the Shareholders for the Proposed Acquisition and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares.

* *for identification purposes only*

THE AGREEMENT

Date: 22 December 2006

Parties:

Purchaser: Joy Century

Vendor: Mr. Lam

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Mr. Lam is a third party independent of the Company and its connected persons; and (ii) Mr. Lam is not acting in concert or presumed to be acting in concert with any other Shareholder.

Assets to be acquired

Pursuant to the Agreement, Joy Century has agreed to acquire and Mr. Lam has agreed to sell the Sale Shares, representing approximately 80% of the voting rights of DigiSat at Completion.

Consideration

The total consideration for the Sale Shares is HK$35,800,000 and shall be settled by Joy Century by procuring the Company to allot and issue the Consideration Shares at the Issue Price of HK$0.10 per Consideration Share, credited as fully paid.

The Issue Price represents: (i) the closing price of HK$0.10 per Share as quoted on the Stock Exchange on 22 December 2006, being the date of the Agreement; (ii) a discount of approximately 1.4% to the average of the closing prices of approximately HK$0.1014 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 December 2006, being the date of the Agreement; (iii) a premium of approximately 0.5% over the average of the closing prices of approximately HK$0.0995 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 22 December 2006, being the date of the Agreement; (iv) the average of the closing prices of approximately HK$0.10 per Share as quoted on the Stock Exchange for the last five consecutive trading days up and including 11 December 2006, being the date of the MOU; and (v) a premium of approximately 100% over the net asset value per Share of approximately HK$0.05 based on the audited consolidated financial statements of the Group as at 30 September 2005.

DigiSat was valued by B.I. Appraisals Limited, an independent valuer, at HK$47,000,000 as at 30 November 2006 by adopting the discounted cash flow approach to value the IPTV business in Japan of DigiSat. The discounted cash flow approach values the worth of future economic benefits derived from ownership of the shareholders' equity. Indications of value have been developed by discounting project future net cash flows available for payment of shareholders' loans and interests, and in some cases, repayment of registered capital plus interest, dividends to their present worth at market-derived rates of return. As the valuation of DigiSat adopting the discounted cash flow approach is considered to be a profit forecast in respect of DigiSat, (i) the reporting accountants of the Company has confirmed that they have reviewed the accounting policies and calculations for the profit forecast; and (ii) the financial advisers of the Company has confirmed that they are satisfied that the forecast has been made by the Directors after due and careful enquiry. As (i) the valuation was conducted by an independent valuer; and (ii) William C. K. Sham of B.I. Appraisals Limited has undertaken various valuation assignments on business enterprises and intangible assets since 1998, with extensive experience in the valuation of business enterprises in various industries such as information technology, health products, pharmaceutical and biotechnology, media, energy, etc., the Directors consider that (i) William C. K. Sham has the relevant experience and knowledge in preparing the business valuation on DigiSat; and (ii) the basis of the valuation performed by B.I. Appraisals Limited is fair and reasonable.

The Directors have reviewed the management accounts of DigiSat and discussed with the management of DigiSat in relation to the basis and assumptions used in the valuation and the profit projection of DigiSat. The Directors have also conducted research on the potential of the IPTV market. The Directors consider the assumption of 3% market penetration into the Japanese market at the initial stage of the business is considered to be a conservative assumption. Based on the other corporations in the IPTV market, the Directors consider that the future of the IPTV business is bright and it is reasonable to expect that DigiSat will secure 41,000 subscribers in 2008. The Directors consider that the profit projection is fair and reasonable.

The consideration was agreed between Joy Century and Mr. Lam after arm's length negotiation and in line with the valuation report prepared by B.I. Appraisals Limited. The Directors (including the independent non-executive Directors), consider the payment terms of the consideration under the Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

(a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;

(b) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Consideration Shares;

(c) Joy Century being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of DigiSat;

(d) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Consideration Shares at the Issue Price to Mr. Lam, or his nominee company(ies) credited as fully paid;

(e) completion of the Capitalisation Agreement in accordance with its terms; and

(f) all necessary consents and approvals required to be obtained on the part of Joy Century and Mr. Lam in respect of the Agreement and the transactions contemplated thereunder having been obtained.

As at the Latest Practicable Date, none of the above conditions have been fulfilled. Condition (c) above is waivable by Joy Century under the Agreement. Joy Century has no current intention to waive such condition.

Completion

Completion shall take place at 4:00 p.m. on the second Business Day after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between Joy Century and Mr. Lam.

The Company will issue the Consideration Shares on the date of Completion.

Mr. Lam has no current intention to appoint himself and any representatives to the Board upon Completion and there is no change in control of the Group.

Long-stop date

If all of the conditions are not fulfilled (or as the case may be, waived by Joy Century) on or before 4:00 p.m. on 31 March 2007 (or such later date as Joy Century may agree), the Agreement shall cease and determine.

THE CONSIDERATION SHARES

The 358,000,000 Consideration Shares will be issued at an issue price of HK$0.10 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The 358,000,000 Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM.

Based on the closing price of HK$0.10 per Share as quoted on the Stock Exchange on 22 December 2006, being the date of the Agreement, the Consideration Shares have a total value of HK$35,800,000. Based on the closing price of HK$0.097 per Share as quoted on the Stock Exchange on 30 January 2007, being the last trading day prior to the Latest Practicable Date, the Consideration Shares have a total value of HK$34,726,000.

The Consideration Shares represent approximately 24.49% of the existing issued share capital of the Company and approximately 19.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

There is no provision in the Agreement which restricts Mr. Lam or his nominee company(ies) from disposing of the Consideration Shares.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and before Completion; and (ii) immediately after Completion and the allotment and issue of the Consideration Shares:

	As at the Latest Practicable Date and before Completion		**Immediately after Completion and the allotment and issue of the Consideration Shares**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Lee Man Fa *(Notes 1 and 2)*	196,792,000	13.46	196,792,000	10.81
Grandtech Management Limited	160,544,258	10.98	160,544,258	8.82
Goldlite International Limited *(Note 2)*	150,000,000	10.26	150,000,000	8.24
Wyndham Profit International Limited *(Note 2)*	75,000,000	5.13	75,000,000	4.12
Hikari International Limited *(Note 2)*	75,000,000	5.13	75,000,000	4.12
Mr. Lam or his nominee company(ies) *(Note 1)*	–	–	358,000,000	19.67
Other public Shareholders *(Note 3)*	804,663,742	55.04	804,663,742	44.22
Total:	1,462,000,000	100.00	1,820,000,000	100.00

Notes:

1. Lee Man Fa and Mr. Lam are not acting in concert or presumed to be acting in concert with each other.

2. Lum Lap Kwan, Simon is the sole shareholder of Goldlite International Limited and a 45% shareholder of Hikari International Limited. Wong Wai Wing, Stephanie is the sole shareholder of Wyndham Profit International Limited and a 55% shareholder of Hikari International Limited.

3. Wellington International Invest Limited is interested in 12,000,000 issued Shares and 218,000,000 underlying Shares which may be allotted and issued upon the exercise of the 218,000,000 non-listed warrants. For further details in relation to such warrants, please refer to the announcement of the Company dated 22 August 2006. Each of Wellington International Invest Limited and its beneficial owner is a third party independent of each of Mr. Lam, Best Glory, Mr. Liu and their respective associates.

BOARD REPRESENTATION OF THE GROUP

Prior to Completion, DigiSat has three directors. Upon Completion, all three existing directors of DigiSat will resign and Joy Century will nominate not less than two directors to the board of DigiSat. There is no current intention for the remaining shareholders of DigiSat to nominate any director to the board of DigiSat upon Completion.

INFORMATION ON DIGISAT

DigiSat was incorporated on 18 August 2003 and is principally engaged in the operation of the IPTV platform which provides to its customers an interactive, high quality, reliable video delivery and multimedia entertainment via the internet using state of the art digital broadcast technology.

The business of DigiSat is operated as a content and set-top box provider. It is operated by DigiSat in co-operation with its partner in Japan on a "buying and selling" basis. DigiSat provides a range of media contents to its partner in Japan and the partner will select certain media contents to broadcast to its customers. Upon verifying the rights to broadcast, the partner will pay DigiSat based on the number of media channels broadcasted. DigiSat does not have any operation present in Japan and there is no plan to set-up any operation in the near future.

Even though DigiSat does not have any branch office in Japan and wholly operates in Hong Kong, DigiSat can still tap the revenue from the IPTV Japan market through providing media contents and set-top box to its partner in Japan.

The IPTV business of DigiSat is currently still at its initial stage, in order to ensure the stability of its platform, DigiSat is currently launching tests on its system by providing free service to the public and it is expected that the launching tests will be completed in the second quarter of 2007. Once DigiSat is satisfied that the system is ready for commercial launch, which is expected to be in the second quarter of 2007 immediately after the launching tests, DigiSat's strategic partner in Japan will distribute the contents to its existing subscribers in Japan. Based on the business plan provided by Mr. Lam, DigiSat at the initial stage will only target the Asian market segment region. The first targeted market is Japan, the second targeted market is Hong Kong and if possible DigiSat will further expand its business to the China market. DigiSat is expecting strong growth rate and large amount of potential subscribers because of the exclusive premium content of its IPTV.

As at the Latest Practicable Date, the issued share capital of DigiSat is HK$1,000,000 divided into 1,000,000 Class A Shares.

The following is the shareholding structure of DigiSat:

	As at the Latest Practicable Date, before completion of the Capitalisation Agreement and before Completion	Immediately after completion of the Capitalisation Agreement but before Completion	Immediately after completion of the Capitalisation Agreement and after Completion
	%	%	%
Mr. Lam	90	90	10
Best Glory	10	10	10
Joy Century	–	–	80
Total:	100	100	100

As DigiSat commenced its operations in October 2005, DigiSat did not have any turnover and net profit for the year ended 30 September 2005.

According to the audited financial statements of DigiSat for the year ended 30 September 2006, the turnover was approximately HK$1,460,000, the net loss before and after taxation and extraordinary items were approximately HK$2,691,000.

As at 30 September 2006, the net liabilities of DigiSat were approximately HK$1,708,000. As at 30 September 2006, the principal assets were property, plant and equipment of approximately HK$2,304,000 and the amounts due from shareholders, Mr. Lam and Best Glory, of approximately HK$633,000 and HK$250,000 respectively. As at 30 September 2006, the principal liabilities were a loan from a shareholder, Mr. Lam, of approximately HK$3,603,000 and an amount due to a director, Mr. Lui, of approximately HK$209,000. The balance of the amount due from Mr. Lam at the date of completing the Capitalisation Agreement will offset the loan from Mr. Lam at that date and the resulting net amount will be capitalised under the Capitalisation Agreement.

As at the Latest Practicable Date, loan from a shareholder, Mr. Lam, was approximately HK$4,500,000 and amount due from shareholders, Mr. Lam and Best Glory, was approximately HK$633,000 and HK$250,000 respectively. The amount due to a director, Mr. Lui, as at 30 September 2006 of approximately HK$209,000 has already been repaid by DigiSat as the Latest Practicable Date. The Shareholders' Loans from Mr. Lam and Best Glory are unsecured, carry no interest and have no fixed term of repayment.

DigiSat intends to enter into the Capitalisation Agreement with Mr. Lam and Best Glory, pursuant to which Mr. Lam and Best Glory will conditionally agree to subscribe for such number of new Class A Shares in cash at a subscription price of approximately HK$1.00 per Class A Share prior to Completion. The subscription price payable by Mr. Lam and Best Glory under the Capitalisation Agreement will be satisfied by capitalising the entire amount of the Shareholders' Loans due from DigiSat to Mr. Lam and Best Glory.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of Best Glory and Mr. Lui is a third party independent of the Company and its connected persons; (ii) other than the 10% shareholding interests of Best Glory in DigiSat and Mr. Lui being a director of DigiSat, each of Best Glory and Mr. Lui is a third party independent of Mr. Lam, DigiSat and their respective associates; and (iii) Best Glory and Mr. Lui are not connected persons of the Company.

REASONS FOR THE PROPOSED ACQUISITION

The Group is 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.

The Group has experienced fierce competition from other competitors in the footwear industry. The difficult market conditions in the footwear industry have caused the Group to review and reposition its businesses. The Directors are currently considering not to continue with the business of the Group in the design and trading of footwear. The Company intends to position itself to capture more of the markets of its other existing principal business activities and to re-allocate more of its internal resources to industries that are more profitable. In this regard, the Directors have been identifying further investment opportunities in order to diversify its existing business and maximise the return of the Shareholders.

The telecommunications and media broadcast industry is at a fast growing stage. Among such industry, the IPTV industry is experiencing the strongest growth. The proliferation of interactive television, as just one subset of the media broadcast and telecoms industry, is growing from year to year. The subscribers of broadband internet service are also increasing constantly. Based on the representation of the Vendor and the business plan provided by the Vendor, the Directors consider that within two years, IPTV subscribers' growth will reach 400 million worldwide. Broadband internet service is also forecasted to achieve record penetration. Within three years, the Directors consider that 85% of the population will have access to broadband connection with 15% of the group subscribing to IPTV services. DigiSat will target Asian market segment region. The first targeted market is Japan, where it has around 40% annual growth rate and 100,000 potential subscribers. The second targeted market is Hong Kong, where (i) the pay-TV market penetration rate is lower than other Asian cities; and (ii) there are more potential subscribers as there are a large number of expatriates. DigiSat will further expand to the China market. DigiSat is expecting strong growth rate and large amount of potential subscribers because of the exclusive premium content of its IPTV. In this regard, the Directors consider that the market potential is huge for DigiSat's network IPTV services and the Proposed Acquisition will provide the Group with an opportunity to benefit from the rapid growth in the IPTV industry.

Taking into account the benefits of the Proposed Acquisition, the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

The Group will retain the existing management of DigiSat and will recruit additional staff with suitable experience and qualifications to manage the operation of DigiSat.

Upon Completion, DigiSat will become a 80% non-wholly owned subsidiary of the Company and the accounts of DigiSat will be consolidated into the consolidated financial statements of the Group.

FINANCIAL EFFECTS ON THE GROUP

Assets and liabilities

Set out in Appendix IV to this circular is the unaudited pro forma consolidated financial information of the Enlarged Group. The unaudited pro forma statement of assets and liabilities of the Enlarged Group was prepared based on the assumption that Completion took place as at 30 September 2005. Upon Completion, the consolidated total assets of the Group would increase by approximately 32.9% from approximately HK$118,213,000 to approximately HK$156,959,000 and the consolidated total liabilities of the Group would increase by approximately 30.3% from approximately HK$8,881,000 to approximately HK$11,575,000.

Earnings

Upon Completion, the financial results of DigiSat, as a non-wholly owned subsidiary, will be consolidated into the consolidated financial statements of the Group. Although DigiSat incurred a loss in the previous financial year, based on the business plan and the profit projection as set out in Appendix I to this circular, the Directors expect DigiSat to generate a profit in 2007. While there is no immediate material impact on earnings of the Group caused by the Proposed Acquisition, the Directors consider that the Proposed Acquisition will (i) enhance the business diversification of the Group; (ii) provide the Group with advance technology and skill to utilise the Group's existing and subsequent IT platform, and (iii) contribute positively to the results of the Group.

PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the footwear business, however competition over such market segment is leading to unsustainable practices. In recent years, the Group have been fading out of the footwear business and focusing itself in the IT business, including but not limited to software development, software installation, training, system maintenance and online stock quotations.

The Group acquired SLS after 30 September 2005, being the date to which the latest published audited accounts had been made up. SLS indirectly holds 100% interests in 北京沃達豐諮詢有限公司 (transliterated as Beijing Woda Taifeng Consultation Company

Limited) and 70% interests in 北京天迅視通科技發展有限公司 (transliterated as Beijing Tianshi Lingyun Technology Development Company Limited). SLS and its subsidiaries are principally engaged in the provision of system development, integration and consulting services on internet network and applications development and indirectly hold 40% interests in 北京市海淀區有綫廣播電視網絡信息有限公司 (transliterated as Beijing Haidian Direct Cable Television Broadcasting and Network Information Limited). 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 consideration was satisfied as to HK$12,000,000 by cash and as to HK$42,000,000 by procuring the Company to issue and allot 300,000,000 Shares, credited as fully paid, at the issue price of HK$0.14 per Share. There is no variation to the remuneration payable and benefits in kind receivable by the directors of any members of the Group as a consequence of such acquisition. Completion of such acquisition took place on 27 July 2006. For further details of such acquisition, please refer to the circular of the Company dated 3 July 2006.

Chinaway Network Technology Limited, a wholly owned subsidiary of the Company, entered into a new project which provide logistic and freight forward system. This new project includes software development, installation, training and maintenance. The Directors consider that this new business opportunity will strengthen the IT foundation of the Group in the PRC.

After closely monitoring the current IT development, the Directors consider the media contents broadcasting as a worldwide phenomenon. The Directors recognise that the rapid growth trend of personal computers and broadband users set a new and fertile ground for the IPTV business.

Media contents broadcasting is a worldwide phenomenon. The Directors recognise that the rapid growth trend of personal computers and broadband users set a new and fertile ground for the IPTV business.

As set out in the Company's annual reports of previous years, it is the strategy of the Company to seek appropriate opportunities of business expansion and diversification with a view of enhancing the future prospects and the value of the Shareholders' investment in the Company. In order to establish a solid IT business platform which will ultimately generate stable revenue for the Group, the Group will implement an inorganic growth strategy in the acquisition of potential business opportunities with good prospect, similar to the Proposed Acquisition, to strengthen our IT portfolio in the short run.

With the technology and platform provided by the Proposed Acquisition, the Directors believe that the Group will have a better stand to confront the envisaged challenges, as well as a better chance to exploit the vast potential of the telecommunications and media broadcast industry.

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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF DIGISAT

For each of the two years ended 30 September 2005 and 30 September 2004

DigiSat was incorporated on 18 August 2003. It has only commenced its operation during the financial year ended 30 September 2006. As set out in the audited financial statement of DigiSat for the year ended 30 September 2004 and 30 September 2005, it did not have any profit and had only incurred a loss due to trivial administrative expenses.

Treasury policies

DigiSat generally finances its operations with internally generated resources and shareholders' loans. Other than bank overdrafts, there is no other borrowing from bank or finance institution and these overdrafts are repayable on demand.

For the year ended 30 September 2006

During the year ended 30 September 2006, DigiSat was principally engaged in the provision of IT consultation services. Subsequent to year ended date, DigiSat was further engaged in the operation of IPTV platform which provides to its customers an interactive video delivery and multimedia entertainment via the internet using the digital broadcast technology.

Liquidity and financial resources

Net Assets

As at 30 September 2006, the total assets of DigiSat was approximately HK$3,589,000 and the total liabilities of DigiSat was approximately HK$5,297,000. The net liabilities of DigiSat was approximately HK$1,708,000.

Liquidity

DigiSat had total cash and bank balances of approximately HK$3,000 and bank overdraft of approximately HK$44,000 as at 30 September 2006. The current ratio was approximately 0.25.

Liabilities

As at 30 September 2006, DigiSat has no contingent liabilities and the gearing ratio was approximately 1.44.

Charges on assets

As at the year end date, the net book value of the fixed assets amounted to approximately HK$396,000 was held under financial leases.

As at 30 September 2006, no asset was pledged by DigiSat to secure any bank facility.

Treasury policies

DigiSat generally finances its operations with internally generated resources. Other than bank overdrafts, there is no other borrowing from bank or finance institution, these overdrafts are repayable on demand.

Foreign exchange exposure

DigiSat mainly earns revenue and incurs costs in HK Dollars. Currently there should be no foreign exchange exposure.

Employee and remuneration policies

As at 30 September 2006, DigiSat employed approximately 20 full time staff in Hong Kong. Employees are remunerated based on their performance, work experience and the prevailing market rate. Performance related bonuses are granted on discretionary basis. Other employee benefits include mandatory social security fund, insurance and training programs.

LISTING RULES IMPLICATIONS

The Proposed Acquisition constitutes a major acquisition on the part of the Company under the Listing Rules and is subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, each of Mr. Lam, Best Glory and Mr. Lui and their respective associates is not interested in any Shares. As such, no Shareholder has any material interests in the Proposed Acquisition as at the Latest Practicable Date and no Shareholder will be required to abstain from voting for the relevant resolution to approve the Proposed Acquisition at the SGM.

SGM

Set out on pages 142 to 143 is a notice convening the SGM to be held at Grand Ball Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, Kowloon, Hong Kong on Thursday, 1 March 2007 at 1:00 p.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's head office and principal place of business in Hong Kong at 10B, Lee West Commercial Building, 375–379 Hennessy Road, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

PROCEDURE FOR DEMANDING A POLL AT GENERAL MEETING

The procedures by which the Shareholders may demand a poll at the SGM are set out as follows.

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

(a) the chairman of the meeting; or

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

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

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

(e) if required by the Listing Rules, any Directors holding proxies if such aggregate proxies held individually or collectively by the Directors account for 5% or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposition manner to that instructed in those proxies.

RECOMMENDATION

The Board considers that the terms of the Proposed Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Sunny Global Holdings Limited
Too Shu Wing
Chairman

The following is the text of a valuation report, prepared for sole purpose of inclusion in this circular, received from the independent valuer, B.I. Appraisals Limited, in connection with its valuation as at 30 November 2006 of the IPTV business in Japan of DigiSat.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

Unit B, 38th Floor, Bank of China Tower, 1 Garden Road, Hong Kong
Tel: (852) 21277762 Fax: (852) 21379876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

12 February 2007

The Directors
Sunny Global Holdings Limited
10B, Lee West Commercial Building
375–379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of the 100 pet cent. equity interest in the Internet Protocol Television ("IPTV") business in Japan of DigiSat Network Limited

In accordance with the instructions from Sunny Global Holdings Limited (hereinafter referred to as the "Instructing Party") for us to carry out a valuation of the market value of the 100 per cent. equity interest in the IPTV business in Japan (hereinafter referred to as the "Business"), which is held by DigiSat Network Limited (hereinafter referred to as the "Company" or "DigiSat"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business as at 30 November 2006 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation and scope of our work, identifies the project appraised, describes the basis and methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion of the market value of the Business as at 30 November 2006. This report is being prepared solely for the use of the directors and management of the Instructing Party for internal reference purpose.

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released.

B.I. Appraisals Limited assumes no responsibility whatsoever to any person other than the directors and management of the Instructing Party in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

SCOPE OF WORK

Our valuation conclusions are based on the assumptions stated herein and on information provided by the management of DigiSat and the Instructing Party and/or their representatives (hereinafter collectively referred to as the "Management"), which includes:

1) Copy of the Business Plan of DigiSat; and

2) The financial projections on the Business for the thirty-six months from 1 January 2007 to 31 December 2009.

The Management have prepared the projections, which have been exclusively adopted as the basis of our valuation. The Management are responsible for the assumptions upon which the projections are based.

The assumptions adopted reflect the Management's judgment of their ability to expand the Business. The profit projections are based on the views of the Management of present circumstances as to both the most likely set of operating and economic conditions and the course of action the Business is most likely to take in the business expansion. In developing these projections, the Management has had due regard to published research data, current industry conditions and relevant transactions which have occurred in the market.

The Company's profit projections are based on a number of assumptions and are subject to uncertainties and contingencies, many of which are beyond the control of the Company. Accordingly, actual results during the projection period may vary from the projections, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated.

In preparing this report, we have had discussions with members of the Management in relation to the Company, the development and prospects of the Business, and the development, operations, financial projections and other relevant information of the Business and the Company. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business provided to us by the Company and the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Business will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of the Business, we are making no representation that the business will be successful, or that market growth and penetration will be realized.

THE COMPANY

We have been provided with information including the background of the Company, the financial plan and projections on the Company and on the Business and unless otherwise stated, all our descriptions regarding the Company and the Business are based on the information provided.

- **Background**

The Company is a privately owned limited company incorporated on 18 August 2003 in Hong Kong. The principal scope of business of the Company is to provide services to support the media industry and to offer set-top boxes.

The corporate and shareholding structure of the Company, according to the information provided, is as follows:

Shareholders	**Approximate Shareholdings**
Lam Shu Chung	90%
Best Glory International Limited	10%
Total:	100%

We have been advised by the Company that all investors of the Company are not active participants in the operation of the Company.

- **Management and Operation**

The Company is operated under the management of Mr. Lui Chun Shuen, Albert, the founder of the Company, together with a team of senior staffs who have substantial experience in media industry, management and financial management. The business of the Company is operated by its current twenty full-time employees in the premises currently located at 21st Floor, Wang Cheong Enterprises Centre, No. 69 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong.

- **DigiSat's Management Team**

  - **Lui Chun Shuen, Albert**, the founder has been appointed CEO, has some twenty years of satellite broadcast experience. During the last couple of years, he has been actively involved in platform design on set-top box.

  - **Wilson Wong**, another telecom and TV media executive, is the VP-Business. Development. He had served the HK Telecom and TVB Group for over a decade.

  - **Dominic Lum** is also VP-Media Technology with experience from Netscape, Oracle and had worked in various countries as business consultant in Europe, Middle East and South-East Asia.

  - **Danny Kan** has all rounded experience from Pacific Satellite and Pineluck System.

- **The Service and Product**

DigiSat has a diverse interactive repertoire of service to support the media industry. The first product of DigiSat will be a set-top box ("STB"), which, coupled with Microsoft Media platform, will enable the subscriber's to access "Triple-Play" services. Each of the service components within the service package, which includes free-to-air channels, premium channels and value added services, is its own robust application with subscribers' entertainment in mind.

It also offers set-top boxes, which provide subscribers a unique experience with Microsoft Media Center Edition, and provides room for expansion whenever it is ready to launch additional service.

- **The Business Model of the Business**

The Business is operated by the Company in the way of content as well as set-top box provider. It is operated by the Company in co-operation with its Japan partner on a basis of "buying & selling", in which the Company provides a range of media contents that are selected by its Japan partner to broadcast. Upon verifying the rights to broadcast, its Japan partner will pay the Company based on the number of media channels broadcasted.

The broadcasting operations in Japan are beyond the Company's control. The co-operation is restricted to the extent of technical support, e.g. streaming packet loss, bandwidth stability and rectifying of interfaces log-in.

The Company does not have any branch office present in Japan and there are no plans to set-up one in the near future.

The IPTV business of DigiSat is currently still at its initial stage, in order to ensure the stability of its platform, DigiSat is currently launching tests on its system by providing free service to the public and it is expected that the launching tests will be completed in the second quarter of 2007. Once DigiSat is satisfied that the system is ready for commercial launch, which is expected to be in the second quarter of 2007 immediately after the launching tests, DigiSat's strategic partner in Japan will distribute the contents to its existing subscribers in Japan.

- **Licences and Agreements**

DigiSat has obtained licences for distribution of media contents on its IPTV platform, including FTV Channel (over IP in Japan starting from 1 June 2006 to 31 May 2008), NEPAL 1 television channel (on DigiSat IPTV network commencing from 15 March 2006 to 14 March 2007) and Beautiful Life Television Channel (from 1 July 2006 to 30 June 2009).

Besides, DigiSat has been negotiating with a number of content providers for obtaining the distribution licences of and for entering into co-operative agreements in the provision of a variety of media contents.

- **Sources of Revenue**

The revenues of the Business are principally derived from the following sources:

1) Sales of Set-top Box

There are two kinds of sale items, namely the hardware of set-top box (the "STB") and the Virtual STB (a software item). The selling price for the STB is at HK$2,500 whereas the retail price for the Virtual STB is HK$50 per copy.

2) Channel Subscriptions and Value-added Services

DigiSat will offer to its subscribers a group of basic channels consisting a total of 10 channels at a package subscription fee of USD10 per month. Any subsequent premier channels to be subscribed are considered as Value-added Services and are charged at a rate of USD2 to 3 per month per premier channel. It is the estimate of the Company that each subscriber will spend on an average USD10 per month for the Value-added Services.

- **Financial Projections**

According to the financial projections of the Business provided to us by the Instructing Party and the Company, the projected performance of the Business for the coming thirty-six Months from 1 January 2007 to 31 December 2009 are summarized as follows:

	Year 2007	**Year 2008**	**Year 2009**
	(HK$)	*(HK$)*	*(HK$)*
Sales	27,716,000	68,218,500	88,426,800
Cost of goods	(15,085,500)	(23,251,500)	(28,276,500)
Gross profit	12,630,500	44,967,000	60,150,300
Operating expenses	(11,291,733)	(20,493,047)	(26,182,772)
Operating profit	1,338,767	24,473,953	33,967,528
Finance costs	–	–	–
Profit/(loss) before taxation	1,338,767	24,473,953	33,967,528
Income tax	(234,284)	(4,282,942)	(5,944,317)
Net operating profit / (loss)	**1,104,483**	**20,191,012**	**28,023,211**

OVERVIEW

- **IPTV and Set-top Box**

IPTV describes a system where a digital television service is delivered using the Internet Protocol over a network infrastructure, which may include delivery by a broadband connection. It is a secure closed system with premium content and managed quality of service (QoS), particularly for video. The end consumers have unique personal profiles known to the operator enabling targeted marketing to be possible. For residential users, IPTV is often provided in conjunction with Video on Demand ("VoD") and may be bundled with Internet services such as Web access and Voice over Internet Protocol ("VolP"), also known as IP Telephony or Internet telephony. The commercial bundling of IPTV, VoIP and Internet access is referred to as a Triple Play. Adding the mobile voice service leads to the Quadruple Play denomination. IPTV is typically supplied by a broadband operator using a closed network infrastructure. This closed network approach is in competition with the delivery of TV content over the public Internet. This type of delivery is widely called TV over Internet or Internet Television. In businesses, IPTV may be used to deliver television content over corporate LANs and business networks. Perhaps a simpler definition of IPTV would be television content that, instead of being delivered through traditional formats and cabling, is received by the viewer through the technologies used for computer networks.

An advantage of IPTV is the amount of bandwidth used versus traditional cable television. With traditional cable television the combined bandwidth of all the channels that the cable company offers is sent to all subscribers' homes even though only one channel may be viewed at a time. However, with IPTV only the bandwidth from the channel watched by the subscriber is used, thus saving a large amount of bandwidth space. Also, when delivering video on demand, a larger number of channels can be sent to the subscriber versus the traditional networks where the carriers have limited space. In addition, instead of the two-to-three-second delay that exists with digital television when changing channels, IPTV lab tests have shown only milliseconds between channel changes.

A set-top box turns an IPTV signal into the output that appears on the television screen and is used to receive and decode broadcasts. They range from being able to receive and unscramble the signal to running video on demand, high-speed Internet, home shopping, IP telephony and home networking. Most set-top boxes for IPTV support the MPEG-2 codec, but Amino Technologies plc introduced the first MPEG-4/AVC STB, the AmiNET124, in June 2005 and started shipping in July 2005.

The cost of a cable TV set-top box has decreased significantly over the past five years from $700 to the $100 to $150 range. A DVR/HDTV cable set-top box costs about $400, about the same as a multi-function IPTV set-top box with DVR functionality. Cable allows for both analog and digital programming to be delivered to the end-user. However, analog does not require a set-top box, which provides the cable companies' significant cost savings by continuing to offer analog as a delivery option. This is in contrast to the digital nature of IPTV, which requires the telephone companies to deliver set-top boxes to their customers. The major difference between set-top box requirements for IP versus digital cable/satellite is that an IP set-top box has an Ethernet IIP input whereas digital cable set-top boxes have a DVB-C/DVB-T (F-connector). In addition, set-top boxes for IPTV should be smaller than cable set-top boxes because cable boxes must be large enough to store all channel programming at the same time. With IPTV, only one channel gets delivered at a time; thus the additional space is not needed.

The overall set-top box market is estimated at USD5 billion and the specific IP set-top box market is expected to grow to USD1.8 billion by 2008, according to the estimates of RBC Capital Markets Corporation.

- **The IPTV Business in General**

Over the past few years, it was witnessed that the IPTV has emerged as the most revolutionary service proposition that is not only changing the media and telecommunication industries, but also the way people consume entertainment. IPTV, or the video component of the telephone company triple play, is expected to be the primary focus for telephone companies around the world as they look to stem customer defections and increase revenues. It is not surprising that the commercialization of IPTV in Asia, Europe and the United States is already well underway. Spending is already strong around the world for IPTV with carriers adding expanded video offerings. Some carriers in China may experience IPTV subscriber growth in excess of 100% over the next few years.

At the end of 2005 there were approximately 2 million IPTV subscribers worldwide, the bulk of subscribers residing in Hong Kong, France and Italy. While the subscriber base of operators in these countries still continues to grow, 2006 has seen new operators and geographical areas rollout IPTV. Across all regions of the Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific region) IPTV services are being launched in earnest. And the growth of subscribers will not be small. Most industry forecasts indicate that from now until 2010 the numbers of IPTV subscribers will double each year to 30 million. There are currently 50 million digital cable and 75 million digital satellite subscribers so this figure is not inconsiderable and will put IPTV in a very strong position going forward.

Asia is leading the IPTV revolution and is likely to see the fastest growth in IPTV subscribers in the early deployment stages. According to the estimate made by RBC Capital Markets Corporation, the overall number of subscribers in Asia is expected to grow from about 1 million in 2005 to 14.3 million in 2008 (CAGR of 143%), with IPTV revenues growing from approximately USD400 million to USD2 billion.

While overall IPTV will grow strongly across the Asian region, the real growth markets are expected in China, Korea, Japan, Malaysia and Taiwan where are yet almost the virgin territory for IPTV but have the population, government commitment, industry initiative and broadband penetration to foster growth in IPTV.

- **The IPTV Business in Japan**

The Japanese market has the third-largest broadband subscriber base in the world, with 20 million broadband subscribers (16% penetration), of which 3 million customers receive fiber to the home ("FTTIT") service. The Japanese service providers have made IPTV one of their focus areas for development over the next several years. The combination of these factors makes Japan a prime candidate for rapid IPTV adoption.

Currently, several service providers including Softbank, KDDI and OCN offer IPTV. Softbank has been the most aggressive in terms of its planned IPTV service and are projecting a subscriber base of 100,000 by the end of 2006. Partially in response to Softbank, NTT Group is building out its fiber network and NTT East already has 83% coverage while NTT West has about 81% coverage. However, the rollouts are still in the early stages and thus far IPTV subscriptions for NTT may only reach 20,000 by the end of 2005 via OnDernandTV, its joint venture with Itochu. The service is expected to provide 23 broadcast channels as well as video on demand.

According to a report "Asia Pacific Multichannel Markets 2005" by Kagan Research LLC, there were approximately 229,000 IPTV households in Japan. It is estimated by RBC Capital Markets Corporation that the subscriber base in Japan may reach 1.4 million by 2008 and it is expected by Kagan Research LLC that the number will grow to approximately 7,388,000 households by 2015.

Asia Pacific IPTV Households: Countries Ranked 2005 & 2015

Rank	Country	2005 IPTV HH (000)	Rank	Country	2005 IPTV HH (000)
1	Hong Kong	574	1	China	20,011
2	Japan	229	2	Japan	7,388
3	Taiwan	70	3	India	3,066
4	China	65	4	Hong Kong	968
5	Australia	30	5	Taiwan	865
6	India	15	6	South Korea	578
7	Singapore	10	7	Australia	350
8	Malaysia	8	8	Malaysia	39
9	Indonesia	–	9	Singapore	34
10	New Zealand	–	10	Indonesia	–
11	Philippines	–	11	New Zealand	–
12	South Korea	–	12	Philippines	–
13	Thailand	–	13	Thailand	–

Source: Kagan Research LLC, 2005

Among the 13 countries analyzed in "Asia Pacific Multichannel Markets 2005", Japan is viewed as the most lucrative market for multichannel development despite its relatively low multichannel penetration rate. Although more than 25 million households connect to cable and another 19 million receive satellite signals, multichannel penetration of the country's 47 million TV households is below 19% due to the fact that most cable and satellite connections are used to receive retransmissions of free terrestrial channels. With its high urban density, strong consumer culture and near total penetration of TV households, Japan presents an ideal opportunity for pay-TV market growth.

RISK FACTORS

This valuation is based on the assumptions and financial projections provided by the Instructing Party and the Company. While the assumptions and considerations of such matters and projections of future net cash flows have been carefully scrutinized, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company.

The Business is subject to uncertainty and there is no assurance that the business plan of the Company and the Business will materialize. In the course of our valuation, we have considered the following potential risks:

- IPTV remains a grey zone when it comes to regulatory issues and more often than not operators have to overcome numerous hurdles on their way to rolling out a service. Changes in relevant governmental policies in controlling the operation of IPTV may significantly effect the successfulness of the Business.

- IPTV is a relatively Immature technology. Many standards remain under development, and no single vendor is able to provide carriers with interoperable, end-to-end IPTV solutions. Adding to the challenge, many complex networking and service issues will need to be solved during deployment of commercial service, rather than beforehand. This is because intensive testing will not resolve all the possible technical issues that carriers and end users will encounter.

- There is strong competition amongst IPTV operators as well as content providers.

- There is strong competition from Internet television, which is often portrayed as a disruptive business model for video and triple play delivery since much of the material is perceived as free and therefore more appealing than a payTV model.

- The challenges faced by IPTV operators to compete successfully with cable, satellite and terrestrial broadcasters will be considerable. Moreover, the latter group will not remain still, introducing IP elements themselves into hybrid boxes to increase interactivity and neutralize the advantage IPTV has in this area.

- Market risk associated with changes in interest rates, foreign exchange rates and government policies will affect the profitability of the Business.

- Subscribers' behaviour in the subscription of value-added services may not be easily predicted, thus affecting the profitability of the Business.

DEFINITION AND BASIS OF VALUATION

The market value of the Business of the Company is defined for the purpose of this valuation as the total invested capital, net of the value of debt and interest on shareholders' loan, if any, but including shareholders' loan, if any, and is equivalent to the shareholders' equity plus shareholders' loans.

The term "Market Value", as used herein, is defined as intended to mean the estimated amount for which the business entity should exchange on the date of valuation between a willing buyer and willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Our valuation has been prepared in accordance with The Hong Kong Business Valuation Forum Business Valuation Standards and under generally accepted valuation procedures and practices.

INVESTIGATION AND ANALYSIS

We confirm that we have carried out discussions with the management of the Company but have made relevant inquiries and obtained such further information, as we consider necessary for the purpose of this valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Company provided to us and have assumed their accuracy. We have also consulted other sources of financial and business information.

The valuation of an interest in the Business requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- The nature of the Company and its history from inception;
- The nature of the Business;
- The financial condition of the Company;
- The economic outlook of Hong Kong and Japan in general and the specific economic environment and market elements in Hong Kong and in Japan which may affect the Business as a whole;
- Licences that have already been obtained by the Company for distribution of media contents on its IPTV platform;
- Licences for distribution of media contents and co-operative agreements for provision of media contents that are being negotiated by DigiSat;
- The financial and business risk of the Business and its projected results; and
- Investment returns and market transactions of entities engaged in similar lines of business.

VALUATION METHODOLOGY

The market value of the Business has been assessed through application of the valuation approach known as the Discounted Cash Flow Analysis. By virtue of this method, value depends on the present worth of future economic benefits derived from ownership of the shareholders' equity. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' loans and interest, and in some cases, repayment of registered capital plus interest, dividends to their present worth at market-derived rates of return which in our opinion is appropriate to reflect the risk and hazard of the business.

When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity is developed by using Capital Asset Pricing Model ("CAPM"'). CAPM states that an investor requires excess returns to compensate 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 with the return from the stock market are referred to as systematic; other risks are referred to as non-systematic. Under CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risks assumed. In addition, the rate of return of the Company is affected by other firm specific risk factors that are independent of the general market.

In developing the discount rate for the Business, several listed companies with similar business nature were selected as comparable companies, which include Television Broadcasts Limited (0511), i-Cable Communications Limited (1097) and Phoenix Satellite Television Holdings Limited (8002) in Hong Kong and KDDI Corporation (9433), NTT Data Corporation (9437) and Softbank Corp. (9964) in Japan.

The discount rate stated at approximately 30.02% was determined by the risk-free rate (the yield of Hong Kong's 10-year Fund Note), market return and estimated beta of the Business and firm specific risk factors including start-up risk premium (5%) and small capitalization risk premium (4.02%).

In addition, we adopted a lack of marketability discount of 40% for the Business as ownership interests in closely held companies are typically not readily marketable compared to similar interest 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.

VALUATION ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and the major ones are as follows:

- All relevant legal approvals and business certificates or licences to operate business in the locality in which the Company operates or intends to operate would be officially obtained and renewable upon expiry.
- The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals.
- The Business will be able to capture approximately a share of 3% of the Japanese IPTV market, which is estimated by RBC to have a subscriber base of 1.4 million In 2008.
- The financial projections provided will materialize.
- There are no outstanding debts and loans incurred at the date of valuation.

- There will be a sufficient supply of technical staff in the industry in which the Company operates.

- The Company will retain competent management, key personnel and technical staff to support its ongoing operation and development.

- There will be no major changes in the current taxation laws in Hong Kong and other specific market areas and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.

- There will be no major changes in the political, legal, economic or financial conditions in Hong Kong and other specific market areas, which would adversely affect the revenues attributable to and profitability of the Business.

- Interest rates and exchange rates in Hong Kong and other specific market areas will not differ materially from those presently prevailing.

LIMITING CONDITIONS

This valuation reflects facts and conditions existing at the date of valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided in arriving at our opinion of value. We assume, without independent verification, the accuracy of all information provided to us by the Company. We have had no reason to doubt the truth and accuracy of the information provided and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities against the Business. We have assumed no responsibility for the title to the business appraised.

We would particularly point out that our valuation has relied heavily on the information such as company background, business nature, market share, future prospecting and in particular the cash flow projections of the Business as contained in the information as well as the financial projections provided to us.

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any parts of its contents.

REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollar (HK$). Where necessary, the exchange rate adopted in our valuation was USD1=HK$7.8, which was approximately the prevailing exchange rates as at the Date of Valuation.

OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the fair market value of the 100 per cent. equity interest in the Business as at 30 November 2006 was reasonably stated by the amount of HK$47,000,000 (HONG KONG DOLLARS FORTY-SEVEN MILLION ONLY).

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the Company, the Business or the value reported herein.

Yours faithfully,
For and on behalf of
B.I. Appraisals Limited
William C. K. Sham
Registered Professional Surveyor (G.P.)
Registered Business Valuer
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham has been conducting asset valuations and consultancy works in the Greater China and the Asia Pacific regions for various purposes for more than 25 years. He has undertaken various valuation assignments on business enterprises and intangible assets since 1998 and has extensive experience in the valuation of patent and proprietary technology; infrastructure project including power plants, toll roads, port facilities; and business enterprises in various industries such as information technology, health products, pharmaceutical and biotechnology, media, energy, etc.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

An unqualified opinion in respect of the audit of the financial statements of the Group has been issued for each of the three years ended 30 September 2005. A summary of the audited results, assets and liabilities of the Group as extracted from the annual reports of the Company is set out below.

The financial statements of the Group for each of the two years ended 30 September 2005 were made based on the revised standard of HKFRS. The financial statements of the Group for the year ended 30 September 2003 were made based on the old HKFRS standard and have not been amended.

	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 STATEMENTS OF THE GROUP

The following is the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 30 September 2005.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2005

	Notes	2005 HK$'000	2004 HK$'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 HK$'000	2004 HK$'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 HK$'000	2004 HK$'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 HK$'000	2004 HK$'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 HM 11, 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.

2005	**Information technology business** *HK$'000*	**Leisure and athletic footwear** *HK$'000*	**Corporate** *HK$'000*	**Total** *HK$'000*
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

2004	Information technology business HK$'000	Leisure and athletic footwear HK$'000	Corporate HK$'000	Total HK$'000
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:

2005	Europe HK$'000	PRC HK$'000	United States of America HK$'000	Others HK$'000	Total HK$'000
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)

2004	**Europe** *HK$'000*	**PRC** *HK$'000*	**United States of America** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
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 *HK$'000*	**2004** *HK$'000*
Exchange gain, net	41	92
Bank interest income	74	119
Others	31	–
	146	211

7. FINANCE COSTS

	2005 *HK$'000*	**2004** *HK$'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
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 HK$'000	Plant and machinery HK$'000	Equipment and furniture HK$'000	Motor vehicles HK$'000	Leasehold improve-ments HK$'000	Network equipment HK$'000	Total 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$5 million, 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					Total
	Share premium	Asset revaluation reserve	Merger reserve *(Note a)*	Statutory reserve fund	Translation reserve	
	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					Total
	Share premium	Asset revaluation reserve	Merger reserve *(Note a)*	Statutory reserve fund	Translation reserve	
	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	2004 Land and buildings
	HK$'000	*HK$'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	2004
	HK$'000	*HK$'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 Inter net 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.

3. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP

The following is the unaudited financial statements of the Group together with accompanying notes as extracted from the interim report of the Company for the six months ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT

		For the six months ended 31 March	
		2006	**2005**
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Revenue	*2, 3*	19,571	32,026
Cost of sales		(17,935)	(31,292)
Gross profit		1,636	734
Administrative and other operating expenses		(6,914)	(9,821)
Selling and distribution costs		(71)	(308)
Operating loss		(5,349)	(9,395)
Other financial income		260	24
Finance costs		–	(146)
Other revenue		1,000	–
Loss before income tax	*4*	(4,089)	(9,517)
Income tax expense	*5*	–	–
Loss for the period		(4,089)	(9,517)
Attributable to:			
Equity holders of the Company		(3,842)	(9,317)
Minority interests		(247)	(200)
Loss for the period		(4,089)	(9,517)
		HK cents	*HK cents*
Basic loss per share for loss attributable to equity holders of the Company	*7*	(0.3)	(0.9)

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 March 2006 (Unaudited) HK$'000	As at 30 September 2005 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	7,545	2,064
Consideration paid for acquisition of subsidiaries		–	22,000
Goodwill		24,195	–
		31,740	24,064
Current assets			
Inventories		8	–
Trade receivables, other receivables and deposits	9	40,773	36,339
Cash at banks		21,352	19,965
		62,133	56,304
Current liabilities			
Trade and other payables	10	32,838	7,222
Net current assets		29,295	49,082
Total assets less current liabilities		61,035	73,146
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	11	115,000	115,000
Accumulated losses		(64,082)	(60,240)
Other reserves		9,590	17,764
		60,508	72,524
Minority interests		527	622
Total equity		61,035	73,146

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 March	
	2006	**2005**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from/(used in) operating activities	17,279	(1,385)
Net cash (used in) investing activities	(15,892)	(26,847)
Net cash from financing activities	–	1,637
Net increase/(decrease) in cash at banks	1,387	(26,595)
Cash at bank at 1 October 2005	19,965	54,920
Cash at bank at 31 March 2006	21,352	28,325

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	–	–	–	936	936
Disposal of subsidiaries	–	–	–	–	–
Currency translation	–	–	–	–	–
Net income recognised directly in equity	–	(66)	–	–	(66)
Loss for the period	–	–	(9,317)	(200)	(9,517)
Total recognised income and expense for the period	–	(66)	(9,317)	(200)	(9,583)
Balance at 31 March 2005	103,000	13,623	(13,587)	(736)	103,772
Balance at 1 October 2005	115,000	17,764	(60,240)	622	73,146
Acquisition of subsidiaries	–	–	–	152	152
Disposal of subsidiaries	–	–	–	–	–
Currency translation	–	–	–	–	–
Net income/(expense) recognised directly in equity	–	(8,174)	–	774	7,400
Loss for the period	–	–	(3,842)	(247)	(4,089)
Total recognised income and expense for the period	–	(8,174)	(3,842)	527	(11,129)
Balance at 31 March 2006	115,000	9,590	(64,082)	527	61,035

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and complied with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2005.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2005.

The interim financial statements are unaudited and have been reviewed by the audit committee of the Company.

2. REVENUE

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

	Six months ended 31 March	
	2006	**2005**
	HK$'000	*HK$'000*
Revenue – Turnover		
Footwear products	–	10,921
Information technology business		
– Trading of hardware and software	16,018	21,105
– Provision of services	3,553	–
	19,571	32,026

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

3. 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 and liabilities information for the Group's business segments:

2006	**Information technology business** *HK$'000*	**Leisure and athletic footwear** *HK$'000*	**Corporate** *HK$'000*	**Total** *HK$'000*
By principal activity:				
Sales to external customers	19,571	–	–	19,571
Segment results	(1,500)	–	(3,849)	(5,349)
Bank interest income				260
Finance costs				–
Other revenue				1,000
Loss before income tax				(4,089)
Income tax expense				–
Loss for the period				(4,089)
Segment assets	36,872	3,461	29,345	69,678
Segment liabilities	27,760	3,325	1,753	32,838
2005				
By principal activity:				
Sales to external customers	21,105	10,921	–	32,026
Segment results	(8,329)	(1,089)	–	(9,418)
Bank interest income				47
Finance costs				(146)
Loss before income tax				(9,517)
Income tax expense				–
Loss for the period				(9,517)
Segment assets	109,421	33,879	–	143,300
Segment liabilities	23,412	16,116	–	39,528

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	The People's Republic of China (the "PRC")	United States of America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Segment revenue:					
Sales to external customers	–	16,018	–	3,553	19,571
Segment results	–	(509)	–	(4,840)	(5,349)
Bank interest income					260
Finance costs					–
Other revenue					1,000
Loss before income tax					(4,089)
Income tax expense					–
Loss for the period					(4,089)
2005					
Segment revenue:					
Sales to external customers	–	11,268	–	20,758	32,026
Segment results	–	(1,176)	–	(8,242)	(9,418)
Bank interest income					47
Finance costs					(146)
Loss before income tax					(9,517)
Income tax expense					–
Loss for the period					(9,517)

4. LOSS BEFORE INCOME TAX

	Six months ended 31 March 2006	2005
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Costs of inventories recognised as expense		
– Footwear products	–	11,401
– Information technology business	17,935	19,891
	17,935	31,292
Depreciation and amortisation on property, plant and equipment		
– owned assets	454	610
– leased assets	–	–
	454	610
Loss on disposal of fixed assets	–	41
Amortisation of goodwill (included in administrative and other operating expenses)	–	5,825
Rental in respect of land and buildings under operating leases	344	207

5. 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 period.

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 period.

6. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 March 2006 (six months ended 31 March 2005: Nil).

7. 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 period of HK$3,842,000 (2005: HK$9,317,000) and on 1,150,000,000 (2005: 1,030,000,000) ordinary shares in issue during the period.

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

8. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Equipment and furniture *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Network equipment *HK$'000*	Total *HK$'000*
Six months ended 31 March 2005							
Opening net book amount	4,800	4,831	616	360	–	–	10,607
Acquisition of subsidiaries	–	–	278	37	1,444	38	1,797
Additions	–	–	45	14	–	–	59
Write off	–	–	(41)	–	–	–	(41)
Depreciation and amortisation	–	(385)	(110)	(41)	(72)	(2)	(610)
Closing net book amount	4,800	4,446	788	370	1,372	36	11,812
At 31 March 2005							
Cost or valuation	4,800	7,719	1,268	561	1,444	38	15,830
Accumulated depreciation and amortisation	–	(3,273)	(480)	(191)	(72)	(2)	(4,018)
Closing net book amount	4,800	4,446	788	370	1,372	36	11,812
Six months ended 31 March 2006							
Opening net book amount	–	–	775	29	1,227	33	2,064
Acquisition of subsidiaries	–	–	298	–	109	–	407
Additions	–	–	28	–	–	5,500	5,528
Depreciation and amortisation	–	–	(287)	(4)	(159)	(4)	(454)
Closing net book amount	–	–	814	25	1,177	5,529	7,545
At 31 March 2006							
Cost	–	–	4,000	45	1,768	5,542	11,355
Accumulated depreciation and amortisation	–	–	(3,186)	(20)	(591)	(13)	(3,810)
Net book amount	–	–	814	25	1,177	5,529	7,545

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	As at 31 March 2006 (Unaudited) *HK$'000*	As at 30 September 2005 (Audited) *HK$'000*
Trade receivables	27,398	11,344
Prepayments and deposits	8,622	5,944
Other receivables	4,753	19,051
	40,773	36,339

The Group's policy is to allow an average credit period of 30 to 90 days to its trade customers. At 31 March 2006, the ageing analysis of the trade receivables were as follows:

	As at 31 March 2006 (Unaudited) *HK$'000*	**As at 30 September 2005** (Audited) *HK$'000*
0–30 days	16,161	4,603
31–60 days	–	48
61–90 days	–	1,152
91–180 days	542	2,439
181 days or above	10,695	3,102
	27,398	11,344

10. TRADE AND OTHER PAYABLES

	As at 31 March 2006 (Unaudited) *HK$'000*	**As at 30 September 2005** (Audited) *HK$'000*
Trade payables	20,396	3,919
Accrued expenses	12,442	3,303
	32,838	7,222

At 31 March 2006, the ageing analysis of the trade payables were as follows:

	As at 31 March 2006 (Unaudited) *HK$'000*	**As at 30 September 2005** (Audited) *HK$'000*
0–30 days	15,856	449
31–60 days	370	20
61–90 days	–	1,082
91–180 days	1,043	2,119
181 days or above	3,127	249
	20,396	3,919

11. SHARE CAPITAL

	As at 31 March 2006 (Unaudited) *HK$'000*	As at 30 September 2005 (Audited) *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	500,000	500,000
Issued and fully paid:		
1,150,000,000 (2005: 1,030,000,000) ordinary shares of HK$0.10 each	115,000	115,000

12. POST BALANCE SHEET EVENTS

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 par ties 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.

On 8 May 2006, Open Challenge Group Limited ("Open Challenge"), a wholly- owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party. Pursuant to the sale and purchase agreement, Open Challenge agreed to acquire the entire issued share capital of China Rainbow Technology Limited ("China Rainbow") at a consideration of HK$6,500,000. China Rainbow is principally engaged in the provision of technical support and management consultancy services to telecommunication and internet services providers in the People's Republic of China. Detail of this transaction are set out in the Company's announcement dated 8 May 2006.

4. AUDITED FINANCIAL STATEMENTS OF SLS AND ITS SUBSIDIARIES

The following is the audited financial statements of SLS and its subsidiaries together with accompanying notes as extracted from the circular of the Company dated 30 June 2006. Unless the context requires otherwise, references to the "Company" and the "Group" in this section below shall mean "SLS" and "SLS and its subsidiaries" respectively.

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	
		2004	2005
	Notes	*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 elated 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

		As at 31 December	
		2004	**2005**
	Notes	*HK$'000*	*HK$'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 *HK$'000*	Exchange reserve *HK$'000*	Retained profits/ (Accumulated losses) *HK$000*	Minority interests *HK$'000*	Total Equity *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

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

[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' emuneration	–	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 ate 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 *HK$'000*	From 1 January 2005 to 31 December 2005 *HK$'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	2005
	HK$'000	*HK$'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	Percentage of registered capital	Particulars 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*
0-30 days	–	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	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*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	Accumulated losses	Total
	HK$'000	*HK$'000*	*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 HK$'000	Acquiree's carrying amount HK$'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 HK$'000	2005 HK$'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 RMB1,500,000	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.

5. INDEBTEDNESS

Borrowings

As at 31 December 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	Non-current portion	Current portion	Total
	HK$'000	*HK$'000*	*HK$'000*
Short-term bank loans, secured	–	1,540	1,540
Loans from a shareholder of DigiSat	–	4,807	4,807
Finance lease payables, secured	85	178	283
	85	6,525	6,630

Contingent liabilities

The Enlarged Group had no contingent liabilities as at 31 December 2006.

As at 31 December 2006, the credit facilities of the Enlarged Group were secured by the pledge of a time deposit of HK$5,046,000 by a subsidiary of the Company.

Save as aforesaid and apart from intra-group liabilities, as at 31 December 2006 the Enlarged Group had no borrowings, debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 31 December 2006.

6. WORKING CAPITAL

Taking into account the internal generated funds and all the presently available credit facilities, the Directors are of the opinion that the Group and the Enlarged Group will, following the completion of the Agreement, have sufficient working capital for their present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Cachet Certified Public Accountants Limited in respect of the accountants' report on DigiSat.

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司

Suite 913, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

12 February 2007

The Directors
Sunny Global Holdings Limited
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to DigiSat Network Limited (formerly Digiphone Network Limited) ("DigiSat") including the income statements, statements of changes in equity and cash flow statements of DigiSat for the period from 18 August 2003 (date of incorporation) to 30 September 2004, and for each of the two years ended 30 September 2005 and 2006 (the "Relevant Periods"), its balance sheets as at 30 September 2004, 2005 and 2006 and notes thereto (the "Financial Information") for inclusion in the circular of Sunny Global Holdings Limited (the "Company") dated 12 February 2007 (the "Circular") in connection with the proposed acquisition of 80% of the issued "A" shares of DigiSat upon completion of the capitalisation of the outstanding loans from Mr. Lam Shu Chung ("Mr. Lam") and Best Glory International Limited ("Best Glory"), pursuant to a conditional sale and purchase agreement dated 22 December 2006 entered into between Joy Century Holding Limited ("Joy Century"), a wholly-owned subsidiary of the Company, and Mr. Lam and a capitalisation agreement to be made among DigiSat, Mr. Lam and Best Glory.

DigiSat is a company incorporated in Hong Kong as a limited liability company on 18 August 2003 under the name of Digiphone Network Limited. Pursuant to a special resolution passed on 30 April 2005, the name of the Company was changed to DigiSat. DigiSat had been dormant since its incorporation and commenced its business in October 2005. It was principally engaged in the provision of information technology ("IT") consultation services during the year ended 30 September 2006.

The financial statements of DigiSat for the Relevant Periods have been prepared by the directors of DigiSat in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have performed an independent audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA of the Underlying Financial Statements of DigiSat for the Relevant Periods.

We have examined the audited financial statements of DigiSat for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.304 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information as set out in this report has been prepared from the audited Underlying Financial Statements in accordance with accounting principles generally accepted in Hong Kong and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The directors of DigiSat are responsible for the preparation of the Financial Information of DigiSat which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of DigiSat as at 30 September 2004, 2005 and 2006, and of its loss and cash flows for the Relevant Periods.

INCOME STATEMENTS

	Notes	Period from 18 August 2003 (date of incorporation) to 30 September 2004 HK$'000	Year ended 30 September 2005 HK$'000	Year ended 30 September 2006 HK$'000
REVENUE	*3*	–	–	1,460
Cost of sales		–	–	(991)
Gross profit		–	–	469
General and administrative expenses		(13)	(4)	(3,132)
Finance costs	*6*	–	–	(28)
LOSS BEFORE TAXATION	*5*	(13)	(4)	(2,691)
Taxation	*8*	–	–	–
LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DIGISAT		(13)	(4)	(2,691)
DIVIDENDS		–	–	–

BALANCE SHEETS

	Notes	**30 September 2004** *HK$'000*	**30 September 2005** *HK$'000*	**30 September 2006** *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*9*	–	–	2,304
CURRENT ASSETS				
Inventories	*10*	–	–	175
Prepayments, deposits and other receivables		–	–	215
Due from a related company	*11*	–	–	9
Due from shareholders	*12*	60	60	883
Cash and bank balances		–	–	3
		60	60	1,285
CURRENT LIABILITIES				
Accruals and other payables		13	17	1,134
Loans from a shareholder	*13*	–	–	3,603
Due to a director	*14*	–	–	209
Current portion of finance lease payables	*15*	–	–	190
Bank overdraft		–	–	44
		13	17	5,180
NET CURRENT ASSETS/(LIABILITIES)		47	43	(3,895)
TOTAL ASSETS LESS CURRENT LIABILITIES		47	43	(1,591)
NON-CURRENT LIABILITIES				
Finance lease payables	*15*	–	–	(117)
NET ASSETS/(LIABILITIES)		47	43	(1,708)
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF DIGISAT				
Issued capital	*16*	60	60	1,000
Reserves		(13)	(17)	(2,708)
TOTAL EQUITY		47	43	(1,708)

STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares upon incorporation	60	–	60
Loss for the period	–	(13)	(13)
At 30 September 2004 and 1 October 2004	60	(13)	47
Loss for the year	–	(4)	(4)
At 30 September 2005 and 1 October 2005	60	(17)	43
Issue of shares	940	–	940
Loss for the year	–	(2,691)	(2,691)
At 30 September 2006	1,000	(2,708)	(1,708)

CASH FLOW STATEMENTS

	Period from 18 August 2003 (date of incorporation) to 30 September 2004	Year ended 30 September 2005	Year ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Loss before taxation	(13)	(4)	(2,691)
Adjustments for:			
Interest on finance lease payments	–	–	28
Depreciation on property, plant and equipment	–	–	332
Operating cash flows before working capital changes	(13)	(4)	(2,331)
Increase in inventories	–	–	(175)
Increase in prepayments, deposits and other receivables	–	–	(215)
Increase in amount due from a related company	–	–	(9)
Increase in amounts due from shareholders	(60)	–	(823)
Increase in accruals and other payables	13	4	1,117
Increase in amount due to a director	–	–	209
Cash used in operation	(60)	–	(2,227)
Interest on finance lease payments	–	–	(28)
Net cash used in operating activities	(60)	–	(2,255)
Cash flows from investing activities			
Purchase of property, plant and equipment	–	–	(2,636)
Net cash used in investing activities	–	–	(2,636)

	Period from 18 August 2003 (date of incorporation) to 30 September 2004	Year ended 30 September 2005	Year ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Issue of shares	60	–	940
Loans obtained from a shareholder	–	–	3,603
Inception of new finance leases			472
Capital element of finance lease repaid	–	–	(165)
Net cash generated from financing activities	60	–	4,850
Net decrease in cash and cash equivalents	–	–	(41)
Cash and cash equivalents at beginning of period/year	–	–	–
Cash and cash equivalents at end of period/year	–	–	(41)
Analysis of balances of cash and cash equivalents			
Cash and bank balances	–	–	3
Bank overdraft	–	–	(44)
	–	–	(41)

NOTES TO FINANCIAL INFORMATION

1. GENERAL

DigiSat is incorporated in Hong Kong with limited liability on 18 August 2003 under the name of Digiphone Network Limited. Pursuant to a special resolution passed on 30 April 2005, the name of DigiSat was changed to DigiSat Network Limited. Its registered office and principal place of business is located at 21/F., Wang Cheong Enterprises Centre, 69 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong.

The Financial Information is presented in Hong Kong Dollars ("HK$") which is the same as the functional currency of DigiSat.

DigiSat had been dormant since its incorporation and commenced its business in October 2005. It was principally engaged in the provision of IT consultation services during the year ended 30 September 2006. Subsequent to 30 September 2006, DigiSat was further engaged in the operation of internet protocol television ("IPTV") platform which provides to its customers an interactive video delivery and multimedia entertainment via the internet using the digital broadcast technology.

2.1 EARLY ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. DigiSat has early adopted the following new and revised HKFRSs in preparing the Financial Information for the period ended 30 September 2004 and for the year ended 30 September 2005 which are relevant to its operations:

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards

The adoption of these new and revised HKFRSs did not have any significant impact on its results of operations and financial position.

The HKICPA has also issued a number of new and raised HKFRSs that are not yet effective for the Relevant Periods. The directors of DigiSat have considered the following standards and interpretations relevant to its operations and do not expect they will have a material impact on the results of operations and financial position of DigiSat.

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

[1] Effective for annual periods beginning on or after 1 March 2006
[2] Effective for annual periods beginning on or after 1 May 2006
[3] Effective for annual periods beginning on or after 1 June 2006
[4] Effective for annual periods beginning on or after 1 January 2007
[5] Effective for annual periods beginning on or after 1 January 2006
[6] Effective for annual periods beginning on or after 1 December 2006

2.2 BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

As at 30 September 2006, DigiSat had net current liabilities and deficiency in assets of HK$3,895,000 and HK$1,708,000, respectively. The directors of DigiSat have given careful consideration to the current and anticipated future liquidity of DigiSat, particularly the continuous financial support from the shareholders and the capitalisation of loans from shareholders (note 18). Accordingly, the Financial Information has been prepared on a going concern basis and does not include any adjustments that would be necessary should such financial support is not obtained. DigiSat's shareholders have indicated their willingness to continue financing the operations of DigiSat.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Related parties

A party is considered to be related to DigiSat if:

(i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, DigiSat; (2) has an interest in DigiSat that gives it significant influence over DigiSat; or (3) has joint control over DigiSat;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of DigiSat or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for this purpose is 20%. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement account in the period in which it arises.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the DigiSat, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where DigiSat is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. DigiSat determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that DigiSat commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

DigiSat assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

DigiSat first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Financial liabilities

DigiSat's financial liabilities include borrowings, trade payable, accruals and other payables, deposit received and amount due to a director.

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

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of DigiSat's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except: where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to DigiSat and when the revenue can be measured reliably, on the following basis:

(a) from the rendering of services, when the service is rendered and completed;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

DigiSat operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the DigiSat in an independently administered fund. The DigiSat's employer contributions vest fully with the employees when contributed into the Scheme.

Foreign currencies

These financial statements are presented in Hong Kong Dollars, which is DigiSat functional and presentation currency. It determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATIONS

Judgements

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

DigiSat's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated fair value of financial assets

The estimation of fair value of financial assets required DigiSat to estimate the future market value expected to be received from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

3. REVENUE

Revenue, which is also DigiSat's turnover, represents the invoiced value of services rendered.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

DigiSat had been dormant since its incorporation and commenced its business in October 2005. DigiSat was solely engaged in the provision of IT consultation services in Hong Kong during the year ended 30 September 2006. Accordingly, no analysis of DigiSat's business and geographical segments is presented for the Relevant Periods.

5. LOSS BEFORE TAXATION

The loss before taxation is stated after charging the following:

	Period from 18 August 2003 (date of incorporation) to 30 September 2004 *HK$'000*	Year ended 30 September 2005 *HK$'000*	Year ended 30 September 2006 *HK$'000*
Auditors' remuneration	–	–	–
Depreciation on property, plant and equipment:			
Owned assets	–	–	256
Leased assets	–	–	76
	–	–	332
Minimum lease payments under operating lease on land and buildings	–	–	499
Staff costs (excluding directors' remuneration *(note 7)*)			
Salaries and allowance	–	–	1,220
MPF contribution	–	–	40
	–	–	1,260
Loss on disposal of available-for-sales investment	–	–	16

6. FINANCE COSTS

	Period from 18 August 2003 (date of incorporation) to 30 September 2004 *HK$'000*	Year ended 30 September 2005 *HK$'000*	Year ended 30 September 2006 *HK$'000*
Interest under finance lease	–	–	28

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) The directors of DigiSat were members of the senior management of DigiSat throughout the Relevant Periods. Assuming these existing directors had already been appointed directors at the beginning of the Relevant Periods, details of directors' emoluments paid by DigiSat can be summarised as follows:

	Period from 18 August 2003 (date of incorporation) to 30 September 2004 *HK$'000*	Year ended 30 September 2005 *HK$'000*	Year ended 30 September 2006 *HK$'000*
Fees	–	–	–
Other emoluments	–	–	480
	–	–	480

The director's emoluments were paid to Lui Chun Shuen, Albert during the Relevant Periods.

The emoluments of the above director fall within the band from Nil to HK1,000,000 during the Relevant Periods.

During the Relevant Periods, no director of DigiSat waived any emoluments and no emoluments were paid or payable by DigiSat as an inducement to join or upon joining DigiSat, or as compensation for loss of office.

(ii) Details of the emoluments paid to the five highest paid individuals (including 1 director and 4 other employees) are as follows:

	Period from 18 August 2003 (date of incorporation) to 30 September 2004	**Year ended 30 September 2005**	**Year ended 30 September 2006**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	–	–	1,173
MPF contribution	–	–	24
	–	–	1,197

During the Relevant Periods, no emolument was paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining DigiSat or as compensation for loss of office.

The emoluments of all the five highest paid individuals (including 1 director and 4 other employees) for the Relevant Periods are below HK1,000,000.

8. TAXATION

Hong Kong profits tax has not been provided as DigiSat did not generate any assessable profits in Hong Kong during the Relevant Periods.

The reconciliation between DigiSat's loss before taxation and the amount which is calculated based on the applicable tax rate of 17.5% is as follows:

	Period from 18 August 2003 (date of incorporation) to 30 September 2004		**Year ended 30 September 2005**		**Year ended 30 September 2006**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before tax	(13)		(4)		(2,691)	
Tax calculated at the statutory tax rate of 17.5%	(2)	17.5	(1)	17.5	(471)	17.5
Expenses not deductible for tax	2	(17.5)	–	–	3	(1)
Tax benefits not recognised	–	–	1	(17.5)	468	(17.4)
Tax charge	–	N/A	–	N/A	–	N/A

DigiSat had deferred tax benefits not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation calculated at the rate of 17.5% as follows:

	Period from 18 August 2003 (date of incorporation) to 30 September 2004	Year ended 30 September 2005	Year ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
Tax losses	–	1	733
Accelerated depreciation	–	–	(264)
	–	1	469

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
30 September 2006			
Additions during the year	773	1,863	2,636
Depreciation provided during the year	(116)	(216)	(332)
At 30 September 2006, net of accumulated depreciation	657	1,647	2,304
At 30 September 2006:			
Cost	773	1,863	2,636
Accumulated depreciation	(116)	(216)	(332)
Net carrying amount	657	1,647	2,304

The net book value of the DigiSat's property, plant and equipment held under finance leases included in the furniture and equipment at 30 September 2006 amounted to HK$395,927 (2004 and 2005: Nil).

10. INVENTORIES

	30 September 2004	30 September 2005	30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
IPTV connection modem	–	–	175

11. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company, disclosed pursuant to Section 161B of the Companies Ordinance, are as follows:

Name of related company	30 September 2004 HK$'000	30 September 2005 HK$'000	30 September 2006 HK$'000	Maximum amount outstanding during the period/ year ended 30 September 2004 HK$'000	2005 HK$'000	2006 HK$'000
DigiSat Television Limited	–	–	9	–	–	9

DigiSat Television Limited is a related Company of DigiSat in which all directors of DigiSat are directors.

The amount due from a related company is unsecured, interest-free and has no fixed terms of repayment.

12. DUE FROM SHAREHOLDERS

Particulars of the amount due from shareholders, disclosed pursuant to Section 161B of the Companies Ordinance, are as follows:

Name of related company	30 September 2004 HK$'000	30 September 2005 HK$'000	30 September 2006 HK$'000	Maximum amount outstanding during the period/ year ended 30 September 2004 HK$'000	2005 HK$'000	2006 HK$'000
Lui Chun Shuen, Albert *(Note)*	54	54	–	54	54	54
Choi Sau Wing, Czarina *(Note)*	6	6	–	6	6	6
Best Glory International Limited	–	–	250	–	–	250
Lam Shu Chung	–	–	633	–	–	633
	60	60	883			

Note: Lui Chun Shuen, Albert and Choi San Wing, Czarina ceased to be shareholders of DigiSat on 13 October 2005.

The amount due from shareholders are unsecured, interest-free and have no fixed terms of repayment.

13. LOANS FROM A SHAREHOLDER

The loans from a shareholder are unsecured and repayable on or before 28 February 2007. The loans are interest-free and bear interest at default at a monthly rate of 5%.

14. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

15. FINANCE LEASE PAYABLES

DigiSat leases certain of its machineries. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At each balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	30 September 2004	30 September 2005	30 September 2006	30 September 2004	30 September 2005	30 September 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:						
Within one year	–	–	208	–	–	190
In the second year	–	–	134	–	–	117
Total minimum finance lease payments	–	–	342	–	–	307
Future finance charges	–	–	(35)			
Total lease payable	–	–	307			
Portion classified as current liabilities	–	–	(190)			
Non-current portion	–	–	117			

16. SHARE CAPITAL

	30 September 2004	30 September 2005	30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
1,000,000 "A" shares of HK$1.00 each (2004 and 2005: 60,000 "A" shares)	60	60	1,000
40,000 "B" shares of HK$1.00 each	40	40	40
	100	100	1,040
Issued and fully paid:			
1,000,000 "A" shares of HK$1.00 each (2004 and 2005: 60,000 "A" shares)	60	60	1,000

The movements in share capital were as follows:

(a) DigiSat was incorporated on 18 August 2003 with an authorised share capital of HK$100,000 divided into 60,000 "A" shares of HK$1.00 each and 40,000 "B" shares of HK$1.00 each. All "A" shares and "B" shares are ordinary shares and rank pari passu in all respects except no voting rights are attached to "B" shares. Upon incorporation, 60,000 "A" shares were issued at par for cash to the subscribers as subscribers' shares.

(b) Pursuant to a special resolution passed on 10 October 2005, the authorised share capital of DigiSat was increased from HK$100,000 to HK$1,040,000 by the creation of an additional 940,000 "A" shares of HK$1.00 each which rank pari passu in all respects with existing "A" shares. The newly created 940,000 "A" shares of HK$1.00 each were fully allotted and issued at par for cash to provide for additional working capital on the same date.

17. OPERATING LEASE ARRANGEMENTS

As lessee

DigiSat leases its office under operating lease arrangement for a term of 3 years.

At each balance sheet date, DigiSat had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 September 2004	30 September 2005	30 September 2006
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	600
In the second to fifth years, inclusive	–	–	631
	–	–	1,231

18. SIGNIFICANT SUBSEQUENT EVENT

Subsequent to the balance sheet date on 22 December 2006, Mr. Lam entered into a conditional sale and purchase agreement (the "Agreement") with Joy Century, pursuant to which, Joy Century will become the major shareholder of DigiSat by acquiring 80% of the issued "A" shares of DigiSat from Mr. Lam. The completion of the Agreement is conditionally upon the completion of a capitalisation agreement to be entered between DigiSat, Mr. Lam and Best Glory, pursuant to which, Mr. Lam and Best Glory will capitalise the entire amount of the loans due by DigiSat to Mr. Lam, after the netting off of the amount due from Mr. Lam, and the loans due by DigiSat to Best Glory.

Save as disclosed above, DigiSat did not have other significant subsequent events took place subsequent to 30 September 2006.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DigiSat is exposed to various kinds of risks in its operation and financial instruments. DigiSat's risk management objectives and polices mainly focused on minimising the potential adverse effects of these risks on DigiSat by closely monitoring the individual exposure as follows:

(a) Credit risk

DigiSat's credit risk is primarily attributable to bank balances and amount due from shareholders. All the bank balances were made with financial institutions with high-credit quality.

(b) Liquidity risk

A shareholder of DigiSat has indicated his willingness to continue financing the operations of DigiSat in order to fund any emergency liquidity requirement.

(c) Interest rate risk

DigiSat has no significant interest-bearing financial assets and liabilities. DigiSat's results and operating cash flows are substantially independent of changes in market interest rates.

(d) Foreign exchange risk

DigiSat does not have significant foreign exchange risk during the Relevant Periods. However foreign exchange risk may be arised from its future commercial transactions which involves the operation of internet protocol television platform which provides to its customers an interactive, high quality, reliable video delivery and multimedia entertainment via the internet using state of the art digital broadcast technology. Since almost all of the recognized financial assets and liabilities are denominated in Hong Kong dollar.

20. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared for DigiSat in respect of any period subsequent to 30 September 2006.

Yours faithfully,

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

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

1. Introduction

The unaudited pro forma statement of assets and liabilities of the Group and DigiSat (collectively the "Enlarged Group"), has been prepared by the Directors to illustrate the effect of the proposed acquisition by the Group of 80% of the issued "Class A" shares of DigiSat (the "Proposed Acquisition") upon completion of the capitalisation of the shareholders' loans pursuant to the Conditional Sale Agreement and the Capitalisation Agreement.

The unaudited pro forma statement of assets and liabilities should be read in conjunction with the financial information of the Group as set out in Appendix II to this circular, the financial information of DigiSat as set out in Appendix III to this circular, and other financial information included elsewhere in this circular. Save for the acquisition of SLS Investments Limited, the details of which were included in a circular of the Company dated 30 September 2006, the unaudited pro forma statement of assets and liabilities does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the Group and DigiSat included in the unaudited pro forma statement of assets and liabilities.

The unaudited pro forma statement of assets and liabilities is prepared for illustrative purpose only and it does not purport to represent the financial position of the Enlarged Group as on the completion of the Proposed Acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited pro forma statement of assets and liabilities of the Group as at 30 September 2005 as extracted from Appendix II of the circular of the Company dated 30 June 2006 in connection with the acquisition of SLS Investments Limited and the audited balance sheet of DigiSat as at 30 September 2006 as extracted from the accountants' report as set out in Appendix III to this circular, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate effect of the Proposed Acquisition on the assumption that the Proposed Acquisition had been completed on 30 September 2005.

2. Unaudited pro forma statement of assets and liabilities of the Enlarged Group

	The Group 30 September 2005 HK$'000 Unaudited *(Note (b))*	DigiSat 30 September 2006 HK$'000 Audited	Sub-total HK$'000	Pro forma adjustments HK$'000	The Enlarged Group HK$'000 Unaudited
Non-current assets					
Goodwill	40,497	–	40,497	35,790 *(g)*	76,287
Consideration paid for acquisition of subsidiaries *(Note (c))*	22,000	–	22,000		22,000
Interest in an associate	6,781	–	6,781		6,781
Property, plant and equipment	2,409	2,304	4,713		4,713
	71,687	2,304	73,991		109,781
Current assets					
Inventories	–	175	175		175
Trade receivables, prepayments, deposits and other receivables	37,524	215	37,739		37,739
Due from shareholders/a minority shareholder of a subsidiary	–	883	883	(633) *(d)*	250
Due from related companies	–	9	9		9
Cash and cash equivalents	9,002	3	9,005		9,005
	46,526	1,285	47,811		47,178
Current liabilities					
Trade and other payables, deposits received and accruals	7,672	1,134	8,806	1,000 *(f)*	9,806
Other payables	1,209	–	1,209		1,209
Loans from a shareholder	–	3,603	3,603	(3,603) *(d)*	–
Due to director(s)	–	209	209		209
Current portion of financial lease payables	–	190	190		190
Bank overdraft	–	44	44		44
	8,881	5,180	14,061		11,458
Net current assets/(liabilities)	37,645	(3,895)	33,750		35,720
Total assets less current liabilities	109,332	(1,591)	107,741		145,501
Non-current liabilities					
Financial lease payables	–	117	117		117
Net assets/(liabilities)	109,332	(1,708)	107,624		145,384
Minority interests	622	–	622	252 *(e)*	874
Net assets/(liabilities) attributable to equity holders of the parent	108,710	(1,708)	107,002		144,510

3. Notes to unaudited pro forma statement of assets and liabilities of the enlarged group

(a) The unaudited pro forma statement of assets and liabilities of the Enlarged Group does not account for:

(i) the performance of the Group during the year ended 30 September 2006. (In this connection, please refer to the Company's announcement dated 29 January 2007 in relation to, among others, the delay in publication of the Company's annual results announcement and annual report for the year ended 30 September 2006); and

(ii) acquisitions/disposals (if any) (apart from the acquisition of SLS Investments Limited) of the Group that were completed during the year ended 30 September 2006.

(b) Balance represents the unaudited pro forma assets and liabilities information of the Group as at 30 September 2005 extracted from Appendix II of the circular of the Company dated 30 June 2006, which was prepared based on the audited financial information of the Group as at 30 September 2005 to illustrate the effect of the acquisition of SLS Investments Limited on the Group assuming that the acquisition of SLS Investments Limited had taken place on 30 September 2005.

(c) Balance represents the total consideration paid by the Group for the acquisition of the entire issued share capital of Golden Portal Holdings Limited, the details of which were included in a circular of the Company dated 16 September 2005. As stated in the annual report of the Company for the year ended 30 September 2005, the acquisition of Golden Portal was completed subsequent to 30 September 2005. Pursuant to the information stated in the interim report of the Company for the six months ended 31 March 2006, the balance had been reclassified as investment in subsidiaries and resulting with a goodwill of HK$24,195,000 upon consolidation.

(d) The adjustment reflects the capitalisation of loans from Mr. Lam to DigiSat after netting off the amount due from Mr. Lam as at 30 September 2006 pursuant to the Capitalisation Agreement as if it had been completed on 30 September 2005. No adjustment on capitalisation of loans from Best Glory has been made as the loans were granted by Best Glory to DigiSat subsequent to the balance sheet date.

(e) The adjustment reflects the share of the 20% minority interests of DigiSat on completion of the Proposed Acquisition of the 80% of the issued "Class A" shares of DigiSat by Joy Century and the Capitalisation Agreement.

(f) The adjustment reflects the accrual of the professional services fee of HK$1,000,000 for the Proposed Acquisition.

(g) The adjustment reflects the excess of the aggregate purchase consideration of HK$35,800,000 and the cost directly attributable to the Proposed Acquisition of approximately HK$1,000,000 over the Group's share in the net assets of DigiSat as at 30 September 2006 after adjustment for the capitalisation of loans from Mr. Lam after netting off of the amount due from Mr. Lam as at 30 September 2006 pursuant to the Capitalisation Agreement ("Loan Capitalisation") of approximately HK$3,603,000 and HK$633,000, respectively, as if the Proposed Acquisition and the Loan Capitalisation had been completed on 30 September 2005. This excess is recognised as goodwill arising from the Proposed Acquisition in the unaudited pro forma consolidated balance sheet. Since the actual fair values of the assets, liabilities and contingent liabilities of DigiSat as at the date of completion of the Proposed Acquisition may be different from their estimated fair values used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual goodwill arising the Proposed Acquisition may be different from the estimated amount shown above.

The reconciliation of goodwill is as follows:

	HK$'000
Consideration for the Proposed Acquisition	35,800
Less: Net assets of DigiSat acquired after the Loan Capitalisation	(1,010)
	34,790
Add: Professional fee directly related to the Proposed Acquisition	1,000
	35,790

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Cachet Certified Public Accountants Limited in respect of the unaudited pro forma financial information of the Enlarged Group.

Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司

Suite 913, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

12 February 2007

The Directors
Sunny Global Holdings Limited
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Sunny Global Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and DigiSat Network Limited ("DigiSat") (the Group together with DigiSat hereinafter referred to as the "Enlarged Group"), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how (i) the capitalisation of the loans from Mr. Lam Shu Chung ("Mr. Lam") and Best Glory International Limited ("Best Glory"), shareholders of DigiSat, pursuant to a capitalisation agreement to be made among DigiSat, Mr. Lam and Best Glory; and (ii) the proposed acquisition of 80% of the issued "A" shares of DigiSat pursuant to a conditional sale and purchase agreement dated 22 December 2006 entered into between Joy Century Holding Limited ("Joy Century"), a wholly-owned subsidiary of the Company, and Mr. Lam might have affected the financial information presented, for inclusion as Appendix IV to the circular of the Company dated 12 February 2007 (the "Circular"). The basis of preparation of the pro forma financial information is set out in page 125 of 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 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 Guideline 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(7) of the Listing Rules, on the unaudited pro forma financial information 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 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 consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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 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 as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information 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 provide any assurance of 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 at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information 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 as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

The following is the text of the letters, prepared for the purpose of incorporation in this circular, received from Cachet Certified Public Accountants Limited and Nuada Limited respectively, in connection with the valuation of the IPTV business in Japan of DigiSat.

1. LETTER FROM CACHET CERTIFIED PUBLIC ACCOUNTANTS LIMITED

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司

Suite 913, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

12 February 2007

The Board of Directors
Sunny Global Holdings Limited
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the valuation report dated 12 February 2007 (the "Valuation Report") prepared by B.I. Appraisals Limited (the "Valuer") in respect of the 100% equity interest in Internet Protocol Television business in Japan ("IPTV Business") of DigiSat Network Limited ("DigiSat") (the "Valuation").

The Valuation, including the bases and assumptions as set out in the Valuation Report, for which the directors of DigiSat, Sunny Global Holdings Limited (the "Company") and the Valuer are responsible, has been prepared by the valuation approach known as the discounted cash flow analysis. Pursuant to paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any valuation of assets (other than land and buildings) or businesses acquired by a listed issuer based on discounted cash flows or projections of profits, earnings or cash flows will be regarded as a profit forecast adopted for the purpose of preparing the Valuation. The profit projection of the IPTV Business for the 36 months from 1 January 2007 to 31 December 2009 (the "Profit Forecast") has been prepared by the directors of the Company and DigiSat using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Consequently, readers are cautioned that the Profit Forecast may not be appropriate for purposes other than for deriving the Valuation of DigiSat as at 30 November 2006. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Profit Forecast since the other anticipated events may or may not occur as expected.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. Our work was performed solely to assist the directors of the Company to evaluate whether the Profit Forecast was complied properly so far as the accounting policies that have been used and the related calculations are concerned. We have reviewed and compared the accounting policies underlying the Profit Forecast with the accounting policies normally adopted by the Company and its subsidiaries (the "Group"). We found that such accounting policies are consistent with those accounting policies normally adopted by the Group. Our work does not constitute any valuation of DigiSat and we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the bases and assumptions made.

In our opinion, the Profit Forecast, so far as the calculations are concerned, has been properly compiled in accordance with bases and assumptions adopted by the directors of the Company and DigiSat in preparing the Profit Forecast and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

This letter is provided solely for your information. In performing our duties in the subject matter, subject to the industry standards of which we are a member, we accept no liability to any other party who is shown or gains access to this letter.

Yours faithfully,

Cachet Certified Public Accountants Limited
Certified Public Accountants
Hong Kong

Chan Chi Yuen
Practising Certificate Number P02671

2. LETTER FROM NUADA LIMITED

Nuada Limited

7th Floor, New York House
60 Connaught Road Central
Hong Kong

12 February 2007

The Directors
Sunny Global Holdings Limited
10B, Lee West Commercial Building
375-379 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the valuation (the "Valuation") prepared by B.I. Appraisal Limited ("the Valuer") in relation to the appraisal of the market value of the 100% equity interest in the Internet Protocol Television business in Japan (the "Business") of DigiSat Network Limited ("DigiSat") as at 30 November 2006 as set out in Appendix I to the circular of Sunny Global Holdings Limited (the "Company") dated 12 February 2007.

We note that the Valuation has been developed by the Valuer through the application of the valuation approach known as the discounted cash flow analysis based on the profit projection of the IPTV business of DigiSat in Japan for the 36 months from 1 January 2007 to 31 December 2009 (the "Forecast") and under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), any valuation of assets (other than land and buildings) or businesses acquired by a listed issuer based on discounted cash flows or projections of profits, earnings or cash flows will be regarded as a profit forecast. Accordingly, the Valuation is regarded as a profit forecast under the Listing Rules.

We have made enquiries and discussed with the Valuer and the management of the Company and DigiSat on the bases and assumptions, including the Forecast, upon which the Valuation has been made. We are of the opinion that the Forecast, which has been reviewed and accepted by the Company, has been made by the directors of the Company and DigiSat after due and careful enquiry.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised		*HK$*
5,000,000,000	Shares	500,000,000
Issued and to be issued, fully paid or credited as fully paid		
1,462,000,000	Shares in issue as at the Latest Practicable Date	146,200,000
358,000,000	Consideration Shares to be allotted and issued upon Completion	35,800,000
218,000,000	Shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the warrants *(Note)*	21,800,000
2,038,000,000	Shares	203,800,000

Note:

218,000,000 warrants issued by the Company, each entitling its holder to subscribe for one Share. For further details in relation to such warrants, please refer to the announcement of the Company dated 22 August 2006.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of director	Number or attributable number of shares or underlying shares held or short positions	Capacity		Approximate percentage or attributable percentage of shareholding
		Beneficial owner	Interest of controlled corporation	*(%)*
Too Shu Wing *(Note 1)*	14,500,000 (L)	14,500,000	–	0.99%
Yan Wah Tat *(Note 2)*	14,500,000 (L)	14,500,000	–	0.99%
Tai King Foon *(Note 3)*	14,500,000 (L)	14,500,000	–	0.99%
Lee Man Fa *(Note 4)*	198,242,000 (L)	1,450,000	196,792,000	13.56%
Liu Kwok Wah *(Note 5)*	1,450,000 (L)	1,450,000	–	0.09%
Chan Wai Ming *(Note 6)*	1,450,000 (L)	1,450,000	–	0.09%
Tsui Pak Hang *(Note 7)*	1,450,000 (L)	1,450,000	–	0.09%

L: Long Position

Notes:

1. These interests in 14,500,000 Shares represent 14,500,000 Shares to be allotted and issued upon the exercise of the share options granted to Too Shu Wing under the Share Option Scheme.

2. These interests in 14,500,000 Shares represent 14,500,000 Shares to be allotted and issued upon the exercise of the share options granted to Yan Wah Tat under the Share Option Scheme.

3. These interests in 14,500,000 Shares represent 14,500,000 Shares to be allotted and issued upon the exercise of the share options granted to Tai King Foon under the Share Option Scheme.

4. These interests in 198,242,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Lee Man Fa under the Share Option Scheme and 196,792,000 Shares owned by Info Fortune Holdings Limited, a company wholly owned by Lee Man Fa.

5. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Liu Kwok Wah under the Share Option Scheme.

6. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Chan Wai Ming under the Share Option Scheme.

7. These interests in 1,450,000 Shares represent 1,450,000 Shares to be allotted and issued upon the exercise of the share options granted to Tsui Pak Hang under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	**Number or attributable number of shares or underlying shares held or short positions**	**Capacity**	**Approximate percentage or attributable percentage of shareholding** *(%)*
Info Fortune Holdings Limited	196,792,000 (L)	Beneficial owner *(Note 1)*	13.46%
Rainbow Bridge Group Limited	108,108,000 (L)	Beneficial owner	7.39%
Goldlite International Limited	150,000,000 (L)	Beneficial owner *(Note 2)*	10.26%
Wyndham Profit International Limited	75,000,000 (L)	Beneficial owner *(Note 2)*	5.13%
Hikari International Limited	75,000,000 (L)	Beneficial owner *(Note 2)*	5.13%
Grandtech Management Limited	160,544,258 (L)	Beneficial owner	10.98%
Wellington International Invest Limited	230,000,000 (L)	Beneficial owner *(Note 3)*	15.73%

L: Long Position

Notes:

1. 196,792,000 Shares of these Shares are owned by Info Fortune Holdings Limited, a company wholly owned by Lee Man Fa.

2. Lum Lap Kwan, Simon is the sole shareholder of Goldlite International Limited and a 45% shareholder of Hikari International Limited. Wong Wai Wing, Stephanie is the sole shareholder of Wyndham Profit International Limited and a 55% shareholder of Hikari International Limited.

3. Wellington International Invest Limited is interested in 12,000,000 issued Shares and 218,000,000 Shares which may be allotted and issued upon the exercise of the 218,000,000 non-listed warrants. For further details in relation to such warrants, please refer to the announcement of the Company dated 22 August 2006.

(c) Substantial shareholders of other members of the Enlarged Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated 31 March 2005 entered into between Fortress Ocean Limited, a wholly owned subsidiary of the Company, as vendor and Jade Paradise Limited as purchase 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;

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

(c) the sale and purchase agreement dated 20 February 2006 entered into between, among others, Appraise Asia Investments Limited, a wholly owned subsidiary of the Company, as purchaser and Goldlite International Limited, Wyndham Profit International Limited and Hikari International Limited as vendors regarding the acquisition of the entire issued share capital of SLS at a consideration of HK$54,000,000;

(d) the subscription agreement dated 16 August 2006 entered into between the Company as issuer and Wellington International Invest Limited as subscriber regarding the placing of 230,000,000 non-listed warrants of the Company at an issue price of HK$0.01 per warrant and an exercise price of HK$0.10 per Share; and

(e) the Agreement.

5. DIRECTORS' SERVICE CONTRACTS

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

6. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
B.I. Appraisals Limited	Professional valuer
Cachet Certified Public Accountants Limited	Certified Public Accountants
Nuada Limited	A licensed corporation under the Securities and Futures Ordinance to conduct type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance

Each of B.I. Appraisals Limited, Cachet Certified Public Accountants Limited and Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of B.I. Appraisals Limited, Cachet Certified Public Accountants Limited and Nuada Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

Chinaway Network Technology Limited ("Chinaway"), a wholly owned subsidiary of the Company, in October 2006 commenced High Court Action No. 2369 of 2006 against Leung Yuen Sang, Sunny ("Mr. Leung"), Fung Ka Man, Carmen, Ho Wing Yiu, Peter (collectively known as "the Defendants") and Easeful Communications Limited ("ECL") seeking damages against the Defendants for the breach of contract and for the account and delivery of documents in respect of the school projects in the PRC, claiming against Mr. Leung for the sum of HK$1,172,600.00 and against ECL for the sum of HK$1,917,785.13 both being contract prices received for and on behalf of Chinaway. Our total sum claims against Mr. Leung and ECL are HK$3,090,385.13 plus interest and cost to be assessed. In November 2006, it was ordered by the Presiding Officer of the Labour Tribunal of Hong Kong that the outstanding claim of Mr. Leung under Claim No. LBTC 4350 of 2006 for the end of year pay in the sum of HK$55,000.00 and expenses in the sum of HK$311,255.43, totaling HK$366,255.43 would not be ruled at Labour Tribunal and the said claims would be transferred to the Court of First Instance as High Court Action No. 2594 of 2006. The claims in the two actions arise from the same facts and the Board considers that the claims of Mr. Leung will not have any material impact on the Group and Chinaway shall proceed with its claims against the Defendants and ECL.

Save as disclosed, so far as the Directors are aware, no member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 30 September 2005, being the date to which the latest published audited financial statements of the Group was made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group;

(b) As at the Latest Practicable Date, neither B.I. Appraisals Limited, Cachet Certified Public Accountants Limited and Nuada Limited nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 30 September 2005, the date to which the latest published audited consolidated financial statements of the Group and DigiSat were made up;

(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 of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose address is Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and

(e) The company secretary and the qualified accountant of the Company is Chiu Yu Choi, Nelson. He was graduated from the Hong Kong Polytechnic University with a Bachelor's honours degree in Accountancy. He is a member of the HKICPA, HKICS and ICSA, and a fellow member of ACCA.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at 10B, Lee West Commercial Building, 375–379 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 1 March 2007 and at the SGM:

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

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

(c) the written consents of the experts referred to in the paragraph headed "Experts" in this Appendix;

(d) the valuation report on DigiSat, the texts of which is set out in Appendix I to this circular;

(e) the accountants' report on DigiSat prepared by Cachet Certified Public Accountants Limited, the text of which is set out in Appendix III to this circular;

(f) the letter from Cachet Certified Public Accountants Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(g) the letter from Cachet Certified Public Accountants Limited in connection with the valuation of the IPTV business in Japan of DigiSat, the text of which is set out in Appendix V to this circular;

(h) the letter from Nuada Limited in connection with the valuation of the IPTV business in Japan of DigiSat, the text of which is set out in Appendix V to this circular;

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

(j) the circular of the Company in relation to the major transaction regarding the acquisition of SLS dated 30 June 2006.

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 (the "**SGM**") of the shareholders of Sunny Global Holdings Limited (the "**Company**") will be held at Grand Ball Room, Hong Kong Gold Coast Hotel, No. 1 Castle Peak Road, Castle Peak Bay, Kowloon, Hong Kong on Thursday, 1 March 2007 at 1:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) the conditional sale and purchase agreement (the "**Agreement**") (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) dated 22 December 2006 and entered into between Joy Century Holding Limited, a wholly owned subsidiary of the Company, as purchaser and Lam Shu Chung ("**Mr. Lam**") as vendor in relation to the sale and purchase of such Class A shares (each a "**Class A Share**") of HK$1.00 each in the share capital of DigiSat Network Limited ("**DigiSat**"), which represents 80% of the issued Class A Shares upon completion of the capitalisation agreement to be made among DigiSat, Mr. Lam and Best Glory International Limited ("**Best Glory**") pursuant to which DigiSat will allot and issue Class A Shares to settle all the outstanding shareholders' loan due by DigiSat to Mr. Lam and Best Glory, at a total consideration of HK$35,800,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder; and

* *for identification purposes only*

(c) the allotment and issue of an aggregate of 358,000,000 shares (each a "**Consideration Share**") of HK$0.10 each in the share capital of the Company, credited as fully paid, at an issue price of HK$0.10 per Consideration Share to Mr. Lam or his nominee company(ies) in accordance with the Agreement be and is hereby approved."

By order of the Board
Sunny Global Holdings Limited
Too Shu Wing
Chairman

Hong Kong, 12 February 2007

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

Head office and principal place of business in Hong Kong:
10B Lee West Commercial Building
375-379 Hennessy Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's head office and principal place of business in Hong Kong at 10B, Lee West Commercial Building, 375-379 Hennessy Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.