Sun Business Network

Annual Report 2006

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SBN
SUN BUSINESS NETWORK
陽光財經網絡

An Integrated Multimedia Company

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NOMINATING COMMITTEE
Richard Tan Tew Han, Chairman
Low Song Take, Member
Jeffrey Tan Boon Khiong, Member

REMUNERATION COMMITTEE
Richard Tan Tew Han, Chairman
Jeffrey Tan Boon Khiong, Member
Ricky Ang Gee Hing, Member

AUDIT COMMITTEE
Jeffrey Tan Boon Khiong, Chairman
Kevin Low Ka Choon, Member
Richard Tan Tew Han, Member

COMPANY SECRETARY
Tan Min-Li

REGISTERED OFFICE
50 Raffles Place #29-00
Singapore Land Tower
Singapore 048623
Tel: (65) 6323 8383
Fax: (65) 6323 8282

Company Registration No. 199407135Z

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
8 Cross Street #11-00
PWC Building
Singapore 048424

AUDITORS
First Trust Partnership
1 Raffles Place #29-01
OUB Centre
Singapore 048616
Partner-in-charge: Tan Kuang Hui
(Appointment on 29 December 2005)

SOLICITORS
Colin Ng & Partners
50 Raffles Place #29-00
Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS
DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

BOARD OF DIRECTORS

LOW SONG TAKE, HONORARY CHAIRMAN

Mr Low was one of the original founders and investors of then Panpac Media Group Ltd, and has guided the Company as Director and Non-Executive Chairman. He is also Executive Chairman of International Press Softcom Ltd (IPS), a company he co-founded in the late 1960's. Mr Low has been in the printing industry for more than 40 years.

DR BRUNO ZHENG WU, EXECUTIVE CHAIRMAN

Dr Bruno Wu is the Co-Founder and Chairman of Sun Media Investment Group of Companies (SMI). Prior to this, Dr Wu joined and served as Chief Operating Officer at ATV, one of two free-to-air networks in Hong Kong, from June 1998 to February 1999. From 2001-2002, Dr Wu served as Co-Chairman of Sina Corporation, the world's leading Chinese Internet firm. Dr Wu received his Diploma of Studies in French Civilization (1987, University of Savoie, France), graduated with a Bachelor of Science in Business Administration Finance (1990, Culver-Stockton College, Missouri, USA). He received his Master of Arts in International Affairs (1993, Washington University, Missouri, USA), and his Ph.D. in the International Politics Department of College of Law (2001, Fudan University, Shanghai, China). Dr Wu is a member of the International Council and the Foundation of The International Academy of Television Arts & Sciences (USA). In 2003, he was appointed Chairman of the iEMMYs Festival for a two-year term. Dr Wu is a member of the International Council of Museum of Television & Radio (New York & Los Angeles), and also a trustee of the Board of Foreign Affairs University of China. In 2005, Dr Wu was appointed Finance & Business Development Committee Chairman of The International Academy of Television Arts & Sciences (USA). In 1998, he received the Super Media Star Award from the Hong Kong – Macau Distinguished Person's Society. In 2005 he was appointed a Chevalier du Tastevin in France, in recognition of his services to the wine industry.

RICKY ANG GEE HING, EXECUTIVE VICE-CHAIRMAN & MANAGING DIRECTOR

Mr Ricky Ang is concurrently the Chief Executive Officer of NASDAQ OTCBB-listed Sun New Media Inc, in which the Group is a substantial shareholder. Prior to his new appointment with the Group, he was the Managing Director and Chief Executive Officer of the Group, a position he had held since the Group he co-founded was established in late 1994. Prior to founding the Group with his partners, Mr Ang was CEO of HB Media Holdings, a media company he helped established in early 1993. Before that, he was Senior Vice President at Times Publishing Ltd, where he was head of its printing division and was instrumental in expanding its printing business worldwide, with manufacturing facilities in Malaysia, Hong Kong and the United Kingdom and sales offices in New York, San Francisco, London and Sydney. A graduate of London's College of Printing, Mr Ang has been in the printing and publishing industry for more than three decades, and was for several years Chairman of the TDB-sponsored Printing and Publishing Advisory Council.

CHAUNCEY SHEY, EXECUTIVE VICE-CHAIRMAN & DIRECTOR

Mr Chauncey Shey is the president and CEO of Softbank China Holding, and the managing partner of Softbank China Venture Capital (SBCVC). He is a co-founder and Director of UTStarcom Inc. (NASDAQ : UTSI), and served as UTStarcom's Executive Vice-President from 1995 to July 1999. From 1991 to 1995, Mr Shey was Executive Vice-President of Starcom Network Systems Inc., a telecom equipment provider, and Executive Vice-President of StarCom Products Inc., a consulting business that develops software products and provides expertise in the fields of computers and telecommunications. From 1990 to 1991, Mr Shey was a consultant to AT&T Bell Labs, and from 1986 to 1990, he was with DGMandS, a telecom software company. He holds a Bachelor of Science in Electrical Engineering from Shanghai Jiao Tong University and a Master of Science in Computer Science from the State University of New York.

BOARD OF DIRECTORS

KEVIN LOW KA CHOON, NON-EXECUTIVE DIRECTOR

Mr Low is the eldest son of Mr Low Song Take. He is the Managing Director of International Press Softcom Ltd (IPS). A Bachelor of Law (Hons) graduate from the National University of Singapore, Mr Low practiced as a lawyer at a leading law firm in Singapore prior to joining the media industry in 1995.

YANG LAN, NON-EXECUTIVE DIRECTOR

Married to Dr Bruno Wu, Ms. Yang is the Chairperson of Sun Culture Foundation and the founding Chairperson of Sun Media Group Holdings Ltd. She has a Bachelor's degree in English Language and Literature (Beijing Foreign Studies University), and a Master's degree in International Affairs (Columbia University, New York). Ms. Yang has 17 years' experience as one of China's leading television anchor and interviewer. In 1999 and 2001, Ms. Yang was named by Asiaweek magazine as one of the "Leaders in Society and Culture in Asia", and one of the "Movers and Shapers of the 21st Century of China" respectively. Ms.Yang received the "Chinese Women of the Year" award in 2001, and "Top Ten Women Enterpreneurs" award in 2002. Since March 2003, Ms. Yang has been serving as a member of the 10th National Committee of the Chinese People's Political Consultative Conference (CPPCC).

JEFFREY TAN BOON KHIONG, INDEPENDENT DIRECTOR

Mr Jeffrey Tan has more than 30 years experience in printing & publishing, and was with SNP Corporation Ltd (formerly known as Singapore National Printers) for 25 years, eventually holding the position of President of the SNP group of companies. He turned the company around in 1982 when he was appointed the General Manager of then Singapore National Printers Pte Ltd. SNP became the first company to be listed on the Sesdaq. He holds a Bachelor's degree in Accountancy from the University of Singapore and attended the Harvard Business School AMP:151 in 1996. Over the years, Mr Tan has served on various public committees. He was the Chairman for the Trade & Development Board's Printing and Publishing Advisory Committee for two years, Chairman of the ASEAN Printing Club and President of the Masters Printers Association. At present, he is the Advisor to the Chairman of Markono Print Media and concurrently Managing Director for Sales & Marketing of Journals.

RICHARD TAN TEW HAN, INDEPENDENT DIRECTOR

Mr Richard Tan has held a number of senior posts in various foreign banks. He joined Overseas Union Bank (OUB) in 1987 prior to the merger of OUB into United Overseas Bank Ltd, and was seconded to International Bank of Singapore Limited (a then wholly-owned subsidiary of OUB) as Head in charge of Corporate Banking and the Overseas Department. He was appointed Senior Vice-President in charge of Investment Banking and Corporate Finance Division in OUB in 1992. In 1999, he was promoted to Executive Vice-President, before retiring from banking in 2001.

VINCENT CYRIL DEMITRIUS PEREIRA, INDEPENDENT DIRECTOR

Mr Cyril Pereira is the current chairman of the Society of Publishers in Asia, a 23-year industry organisation. Mr Pereira left the Hong Kong-based South China Morning Post (SCMP) in April 2001, as Director, Newspaper Operations, after a 15-year career. Mr Pereira runs his own media consultancy practice based in Hong Kong.

YOU SUSHENG, INDEPENDENT DIRECTOR

Mr You Susheng has held the position of Chairman of the Beijing Hanxiang Film & TV Culture Co. Ltd since 1995, and since 2002, has been the Chairman of China Railway New Express Transportation Equipment Co. Ltd. Currently, he is also the Vice Chairman of Zongfangxin Property Co. Ltd, a position he has held since 2002. From 2002 to 2003, he was Vice Chairman and Chairman of Hainan Travel Satellite Television Centre and Hong Kong Economy & Tourism Television Centre, respectively.

CHAIRMAN'S STATEMENT

FOR THE 15-MONTH period ended March 31, 2006, I am pleased to report that our Group continued to make good progress, albeit at a pace slower than we had envisaged.

China Expansion, SE Asia Consolidation

In China, our publishing activities continued to show improvement. Our flagship publication for which we have full sales, marketing and operational rights, the *China Business Post* grew both in terms of advertising and copy sales. The *China Business Post* is today one of the largest and most respected weekly business newspapers in circulation in Beijing. The newspaper is expected to be profitable from the second half of the current financial year onwards. In addition, we successfully launched our first magazine *Wine & Dine*, as well as the digital edition of the *China Business Post*, which was subsequently sold to Sun New Media Inc (SNMI) in exchange for SNMI shares that created a substantial profit.

Elsewhere in Singapore and Malaysia our publishing activities continued to face severe competition, which eroded advertising yield and overall revenues. Over the next few years, China will continue to be our main growth engine while we seek new opportunities in other emerging economies of the Asia Pacific region.

Divestment of Auston

During the course of the financial period, we fully divested our stake in the troubled education subsidiary, Auston International Group Ltd.

Sun New Media Inc

In April 2006, we announced the completion of our transaction with US OTC:BB-listed, SNMI. The deal made SNMI our single largest shareholder with a 16% stake or 150 million shares; it simultaneously made us one of SNMI's largest shareholders with an approximate 12.6% stake or about 13.1 million shares. According to the Sale & Purchase Agreement with SNMI, subject to certain conditions, we will receive an additional 6.9 million new SNMI shares in 2007.

CHAIRMAN'S STATEMENT

New Initiative
In May 2006, we announced an initiative to create SBN Media Services, a new subsidiary that focuses on providing integrated digital production and marketing services for media enterprises, and which will spearhead our Group's thrust into the digital publishing and services space. Although this new venture is unlikely to have a material impact in the short-term, it will become a key driver of the Group's growth within the next 3 years.

Sun TV Shop [Fibre-optics Network] listing on AIM, UK
At the time of this report, I am pleased to announce the admission of Sun TV Shop Plc ["STVS"] on the UK-based Alternative Investment Market ["AIM"]. STVS's business assets include the rights to operate the China fibre-optic network owned by Asia Network Technologies Ltd ["ANT"], in which we have a 20.5% stake. Trading of STVS shares commences on July 6. Once the trading begins, we will receive approximately 49.1 million shares and about 4.95 million warrants. Details of this transaction were announced on 4 July, 2006.

Our stake in STVS will be valued at approximately 9.8 million Pounds Sterling or S$28.7 million based on the admission and trading commencement price per share of 20 Pence Sterling. The valuation is about 18% lower than what we originally expected and is substantially lower than our book value of about S$89.8 million. The substantial difference marks an impairment loss of about S$61.1 million, which causes a Group loss of about S$30.4 million. This stands in contrast to the profit after tax of S$30.7 million that was announced earlier.

The lower valuation resulted from the prevailing weak market sentiments. The admission of STVS to the AIM will provide STVS with access to the capital it needs to grow its businesses. Additionally, the AIM listing will provide us with a valuation bench mark for our 20.5% stake in ANT, which was a subject of a qualification by our auditors in FY2004 financial statements.

Unlocking Value, Converting To Cash
Through the trading commencement of STVS on AIM on July 6, 2006, we have completed our rationalization program to create and unlock the enhanced value of our business assets. Our next step is to gradually convert our investments into cash to fund the expansion of our core businesses and to reward shareholders for their patience and support over the past 2 years, during which the Group has experienced a metamorphosis.

Over the past 2 years or so, we created substantial value. Our net asset value [NAV] as of March 31, 2006 was $122.7 million or NAV per share of 13.2 cents, which marks a significant increase from the negative NAV of about $1.4 million for the financial year ended December 31, 2003.

Future Prospects
From a financial perspective, the Group is stronger now than it has been in the past several years. We have proven our resilience in overcoming difficulties and our ability to create value. We firmly believe that we can build on the success we have achieved thus far, and we are confident that we can further enhance the value of our enterprise by creating and unlocking value as we have done in the last couple of years. We plan to successfully expand our core businesses with the proceeds we will receive from the gradual divestment of our overseas investments.

Conclusion
In conclusion, on behalf of my fellow colleagues on the Board of Sun Business Network, I would like to express my gratitude to management and staff at all levels for their hard work; to our business partners for their commitment and effort to the Group's cause; and to our shareholders for their patience and unwavering support.

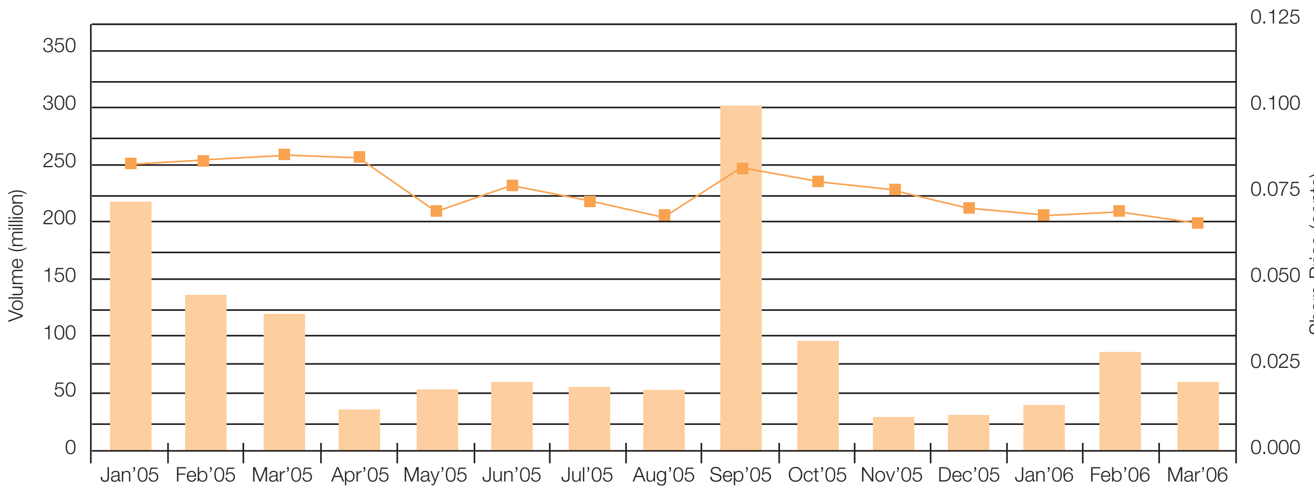
Bruno Zheng Wu
Executive Chairman

FINANCIAL HIGHLIGHTS

Year	Revenue** S$'000	Profit/(Loss) attributable to shareholders S$'000	Earnings/(Loss) Per Share Cents
FY 1997	8,897	327	NA#
FY 1998	20,641	2,703	3.26
FY 1999	14,636	(2,844)	(2.06)
FY 2000	14,513	(11,610)	(6.18)
FY 2001	16,917	(27,653)	(13.81)
FY 2001*	10,402	210	0.10
FY 2002	14,698	(4,382)	(1.66)
FY 2003@	21,390	(5,380)	(1.32)
FY 2004	106,898^^	72,191	15.82
FY 2006^	59,166^^	(30,431)	(4.06)

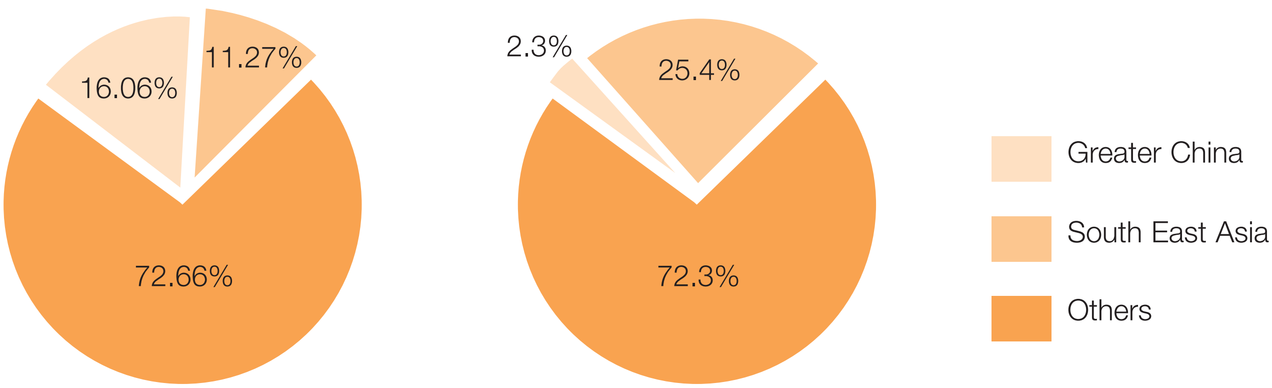
* Results are for a 9-month period
Company changed its year end to 31 December with effect 31 December 2001
** Including other income
# Converted to public listed company on 8 July 1998
@ Restated
^ Results are for a 15-month period
Company changed its year end to 31 March with effect 31 March 2006
^^ Result excludes discontinued operations

Share Price & Total Monthly Volume



Segmental Performance

Revenue** by Geographical Region



2006
S$62.3 million

2004
S$114.1 million

Revenue** by Business Division / Operating Profit/(Loss) by Business Division

Revenue** by Business Division	March 2006*# S$ million	2004 S$ million	Operating Profit/(Loss) by Business Division	March 2006*# S$ million	2004# S$ million
Publishing & Events Management	14.7	21.3	Publishing & Events Management	(13.5)	4.0
HQ Costs & Investments	45.8	85.9	HQ Costs & Investments	(16.2)	70.5
Discontinued Operations	1.8	6.9	Discontinued Operations	(1.0)	(3.0)

* Results are for a 15-month period
** Including other income
# Refer to Note 37

Staff Strength

	01 Apr 2005	31 Dec 2005	31 Mar 2006
HQ	9	9	9
Publishing & Events Management	309	233	215
Greater China	224	186	167
Singapore and Malaysia	85	47	48
Education	39	0	0
Technology	5	4	4
DIS	5	4	4
Total	362	246	228

INVESTMENTS

sunnewmedia
where business does business

About SNMI
Sun New Media is China's leading business focused multi-media marketing and channel management company, leveraging the combined powers of interactive marketing, information and e-transaction services. Sun New media builds e-enabled distribution systems, transaction platforms and business communities in China's fastest growing verticals, connecting corporate buyers and sellers with a suite of turnkey digital media, e-commerce, and information management solutions. Companies leverage Sun New Media's web-based business media communities to access vital industrial intelligence and forge trading relationships with suppliers and buyers that promote cost efficiencies and increased distribution reach. Visit the Sun New Media website at http://www.sunnewmedia.net.

About SUN TV SHOP
Sun TV Shop is an integrated new media company that coordinates the production, aggregation, and distribution of consumer content across a number of different media platforms, including the Internet, broadcast Television, Mobile WAP applications, and e-publishing systems. Currently, Sun TV Shop is working with partners in China and across the world to develop or aggregate content targeting a number of key areas, including Women's Interest, Luxury Lifestyle, Education, and Sports and Entertainment. In addition to acting as the centralized advertising sales arm for these content providers, Sun TV Shop also plans to build a dedicated network of innovative e-commerce portals for promoting direct to consumer sales of its brand partners' products and services.

阳光电视网店
SUNTVSHOP.com

MANAGEMENT TEAM

Ms Chong Chye Wan, General Manager is in charge of the day-to-day management of the Group's operations in Malaysia. Ms Chong started her career as an Auditor with an international public accounting firm based in Kuala Lumpur and moved on to join several Malaysian public listed companies in their finance departments. She is a Certified Public Accountant and holds a Bachelor of Accounting degree (Hons) from the University of Malaya.

Ms Koh Agatha Brazil is the Publishing Director of Wine & Dine Experience Pte Ltd, a subsidiary of the Group, responsible for the publishing activities of *Wine & Dine*, *Singapore Business Visitor*, *Port O'Call*, and *Perfect*. She has more than 25 years' experience in the media industry, having worked in both newspaper and magazine publishing as an Editor and a Publisher. Ms Koh Brazil joined the Group in 1994, and after a brief absence, rejoined it in 2002. She holds a Bachelor of Arts degree from the National University of Singapore.

Mr Mohd Azhar Khalid is Publisher/Managing Editor of Smart Investor Pte Ltd, a subsidiary of the Group. Prior to joining in April 2005, Mr Azhar was a Financial Correspondent with The Straits Times, a position he held since 2000. He was previously a licensed Fund Manager in an asset management firm based in Kuala Lumpur, and had been the General Manager of a savings and loan co-operative society in Singapore. He holds a Masters degree in Accounting from the University of Queensland, Australia, and a Master of Social Sciences (Economics) from the National University of Singapore. Upon graduation, Mr Azhar worked as a Senior Equities Research Executive at a local financial information company.

Ms Ng Hwee Ling is the Chief Financial Officer of the company and concurrently the Senior Vice President, Finance of SNMI. Ms Ng is responsible for overseeing the Group's financial and management accounting, and payroll matters. Prior to joining the Group, she was an Auditor with an international public accounting firm. Ms Ng is a Certified Public Accountant and holds a Bachelor of Accountancy degree (Hons) from the Nanyang Technological University, Singapore.

Mr Teoh Lo Hai is in charge of the development and implementation of the Group's overall IT strategy, which includes network infrastructures and office IT. Mr Teoh joined the Group as Chief Technical Officer in 1999. He has extensive experience in the technology-oriented market. Mr Teoh graduated from the University of Hawaii with a Bachelor of Science (Electrical Engineering) degree.

Ms Yang Jing Theresa is the President of SBN Digital Media Services Pte Ltd, a subsidiary of the Group. Ms Yang holds an MBA in Finance from Baruch College, New York, and a BA in English Literature from Tianjing Foreign Languages Institute, China. She worked for a couple of years in the financial services sector as a financial analyst and portfolio manager, before moving on to journalism as a correspondent and news anchor with the Voice of America's Mandarin program, Sino Vision, where she produced and hosted a weekly investment and financial television programme. She also worked at a Hong Kong government radio station as a radio broadcaster, and at major Internet companies like E-Trade, as an internet broadcaster. Prior to joining the Company, Ms Yang was for the last 2 years, a Vice President of Sun Media Investment Holdings, in charge of business development in both the digital as well as the traditional media space.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Sun Business Network Ltd. recognises the significance of sound corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting. It is committed to maintaining a high standard of corporate governance within the Group based on which its operations, businesses and strategies are directed and controlled.

The main corporate governance practices adopted by the Company and the Group are outlined below.

Board Matters

(1) Board's Conduct of its Affairs

The Board holds meetings on a regular basis throughout the year to review and approve the Group's major strategic plans as well as major investments, disposals and funding matters. The Board is responsible for the overall corporate governance of the Group. Ad-hoc meetings are also held when the need arises. Attendance of the directors at meetings of the Board and Board committees, as well as the frequency of such meetings are as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Low Song Take	2	2	–	–	1	–	–	–
Bruno Zheng Wu	2	1	–	–	–	–	–	–
Ricky Ang Gee Hing	2	2	–	–	–	–	1	1
Chen Xiaotao [(2)]	2	1	–	–	–	–	–	–
Kevin Low Ka Choon	2	1	3	–	–	–	–	–
Yang Lan	2	–	–	–	–	–	–	–
Jeffrey Tan Boon Khiong	2	2	3	3	1	1	1	1
Richard Tan Tew Han	2	1	3	3	1	1	1	1
Vincent Cyril Demitrius Pereira	2	–	–	–	–	–	–	–
You Susheng	2	–	–	–	–	–	–	–
Chauncey Shey [(1)]	1	–	–	–	–	–	–	–

Notes:
[(1)] Mr Chauncey Shey was appointed as an Executive Director and Vice-chairman on 24 May 2005.
[(2)] Mr Chen Xiaotao resigned on 1 January 2006.

All the Directors are updated regularly on changes in company policies, Board processes, corporate governance and best practices.

(2) Board Composition and Balance

The Board comprises three Executive directors, three Non-Executive director and four Independent Non-Executive directors. Key information regarding the directors can be found under the "Corporate Information" section of this annual report. The Nominating Committee reviews the independence of each director annually.

The Nominating Committee is of the view that the current Board, with more than half of its composition made up of Independent Non-Executive Directors, exhibits a level of independence that sufficiently enables the Board to exercise objective judgment on corporate affairs independently from the management. The Nominating Committee is also of the view that no individual or small groups of individuals dominate the Board's decision-making processes.

The Board is of the view that the size of the current board, comprising ten directors is appropriate, with reference to the scope and extent of the Group's operations. The Board also considers that its composition of Independent Non-Executive Directors provide an effective Board with a mix of knowledge, business contacts and successful business and commercial experience. This balance is important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group.

(3) Role of Chairman and Managing Director

The positions of Chairman and Managing Director are kept separate to ensure an appropriate balance of power and authority.

The Managing Director, Mr Ricky Ang Gee Hing, who is also the Chief Executive Officer of the Company, has full executive responsibilities over business directions and operational decisions of the Group. The Audit Committee reviews all major decisions made by the Managing Director. The Nominating Committee periodically reviews his performance and his appointment to the Board and the Remuneration Committee periodically reviews his remuneration package.

Mr Low Song Take, who is the Non-Executive Chairman of the Company, is primarily responsible for the effective working of the Board. He ensures (with the help of the Company Secretary) that board meetings are held when necessary. The agenda of board meetings is set by the Managing Director and approved by the Chairman. The Chairman and the Managing Director reviews most Board papers before they are presented to the Board and ensures that the Board members are provided with complete, adequate and timely information.

(4) Board Membership
We believe that Board renewal must be an on-going process, to ensure good corporate governance and to maintain relevance to the business as well as changing needs of the Company. Our Articles of Association require one-third of our Directors (excluding the Managing Director) to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM") such that no director stays in office for more than three years without being re-elected by shareholders.

The Nominating Committee comprises Messrs Richard Tan Tew Han (an Independent Non-Executive Director), Jeffrey Tan Boon Khiong (an Independent director), and Low Song Take (a Non-Executive Director). Mr Richard Tan, an Independent Non-Executive Director, is the Chairman of the Nominating Committee. The Nominating Committee is responsible for (i) re-nomination of the Directors having regard to the Directors' contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding on whether or not a Director is able to and has been adequately carrying out his duties as a director.

(5) Board Performance
The Nominating Committee uses its best efforts to ensure that directors appointed to the Board possess the relevant background, experience and knowledge and that each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Directors, collectively and individually, undertake a formal review of the Board's performance collectively and individually on an annual basis. The Nominating Committee also reviews the Board's performance informally with inputs from the other Board members and the Managing Director.

(6) Access to Information
In order to ensure that the Board is able to fulfill its responsibilities, management is required to provide adequate and timely information to the Board on Board affairs and issues that require the Board's decision as well as ongoing reports relating to operational and financial performance of the Company and the Group. Whenever appropriate, senior managers who can provide additional insight in the matters to be discussed are invited to attend the Board meeting. In addition, the company secretary generally attends board meetings.

The Board has separate and independent access to the senior management and the Company Secretary at all times. Where necessary, the Company will, upon the request of directors (whether as a group or individually), provide them with independent professional advice, at the Company's expense, to enable them to discharge their duties.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company, Board of Directors, and Board committees.

Remuneration Matters

(7) Procedures for Developing Remuneration Policies
(8) Level and Mix of Remuneration
(9) Disclosure on Remuneration
The function of the Remuneration Committee is to review the remuneration of the executive Directors of the Company and to provide a greater degree of objectivity and transparency in the setting of remuneration.

The Remuneration Committee comprises Messrs Richard Tan Tew Han (an Independent Director), Jeffrey Tan Boon Khiong (an Independent Director) and Ricky Ang Gee Hing (Managing Director and Chief Executive Officer of the Group). Mr Richard Tan, an Independent Director, is Chairman of the Remuneration Committee.

The Remuneration Committee reviews and recommends to the Board, in consultation with management, a framework for all aspects of remuneration. The Remuneration Committee also determines the specific remuneration packages and terms of employment for each of the executive Directors of the Company including those employees related to the executive Directors and controlling shareholders of the Company as well as the senior executives. The recommendations of the Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the Remuneration Committee.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual directors. No Director will be involved in deciding his own remuneration.

The Executive Directors have entered into a service agreements with the Company. The service agreement covers the terms of employment, specifically salary and other benefits. The remuneration of Non-Executive Directors should be determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Board will recommend the remuneration of the Non-Executive Directors for approval at the AGM.

CORPORATE GOVERNANCE

Directors' Remuneration

Our executive Director's remuneration consists of salary, allowances and bonuses. Directors' fees for Independent Non-Executive Directors are subject to approval of shareholders at the AGM.

The band of remuneration of each individual Director for the financial period under review are as follows:

Name	Director's Fees (S$)	Exceeding S$500,000	S$250,000 to $500,000	Up to S$250,000
Low Song Take	15,000			✓
Bruno Zheng Wu	15,000			✓
Ricky Ang Gee Hing	15,000		✓	
Chen Xiaotao [2]	–			✓
Kevin Low Ka Choon	15,000			✓
Yang Lan	15,000			✓
Jeffrey Tan Boon Khiong	37,000			✓
Richard Tan Tew Han	36,000			✓
Vincent Cyril Demitrius Pereira	17,000			✓
You Susheng	17,000			✓
Chauncey Shey [1]	15,000			✓

Notes:
[1] Mr Chauncey Shey was appointed as an Executive Director and Vice-chairman on 24 May 2005.
[2] Mr Chen Xiaotao resigned on 1 January 2006.

The level and mix of the annual remuneration of executive Directors are set out below:

Name	Salaries %	Bonuses %	CPF %	Allowances & Others %
Bruno Zheng Wu	100	–	–	–
Ricky Ang Gee Hing	78.23	5.22	1.51	15.04
Chen Xiaotao	100	–	–	–
Chauncey Shey	–	–	–	–

Remuneration of Key Employees

Details of remuneration paid to the top five executives, in terms of remuneration (who are not Directors of the Company) for the financial year are set out below. For competitive reasons, the Company is only disclosing the band of remuneration of each executive for the financial period under review:

Name	Exceeding S$500,000	S$250,000 to S$500,000	Up to S$250,000
Agatha Koh Brazil			✓
Mohd Azhar Khalid			✓
Lo Mei			✓
Ng Hwee Ling			✓
Teoh Lo Hai			✓

There are no employees in the Group who are immediate family members of any Director or controlling shareholder of the Company.

Accountability and Audit

(10) Accountability

The Board continues to be accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

(11) Audit Committee

The Audit Committee is made up of three Independent Non-Executive Directors who possess appropriate accounting experience and/or related financial management expertise. Mr Jeffery Tan Boon Khiong an Independent Non-Executive Director, chairs the Audit Committee. The other members of the Audit Committee are Mr Kevin Low Ka Choon, a Non-Executive Director and Mr Richard Tan Tew Han, an Independent Director.

The Audit Committee holds periodic meetings and primarily carries out the following functions together with the executive Directors and external auditors:

a) Reviews the audit plans set forth by the external auditors, evaluates the report issued by the external auditors from their examination of the Company's internal and accounting controls system;
b) Reviews the operating results of the Group and Company, accounting policies and assistance given by the management to external auditors;
c) Reviews the financial statements of the Group and Company before submission to the Board;
d) Reviews all interested persons' transactions; and
e) Nominates the external auditors for reappointment.

The Audit Committee has full access to and full co-operation of the management. The Audit Committee also has the power to conduct or authorize investigations into any matters within its terms of reference. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has reviewed the external auditors' non-audit services to satisfy itself that the nature and extent of such services has not prejudiced the independence and objectivity of the external auditors.

The Audit Committee recognizes the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration.

(12) Internal Controls
The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal control system put in place by the management and is satisfied that there are adequate internal controls in the Company. The Directors regularly review the effectiveness of all internal controls, including operational controls.

(13) Internal Audits
The Chief Financial Officer heads the Internal Audit ("IA") team. She oversees and carries out the functions of internal audits, including the running of a robust and timely process of identifying and evaluating business risks, controls over cash flows and preparing timely reports and communications to the various committees, such as audit matters to the Audit Committee and administrative and operational matters to the Board.

As part of the procedures to ensure adequacy of the internal audit function, the Audit Committee reviews the IA's activities and processes on a half yearly basis.

Communication with Shareholders

(14) Communication with Shareholders
(15) Greater Shareholder Participation
We believe in regular and timely communication with shareholders as part of our organisation's development to build systems and procedures that will enable us to operate globally.

In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50, Singapore), the Board's policy is that all shareholders should be equally and timely informed of all major developments that will or expect to impact the Company or the Group.

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is circulated to all shareholders of the Company, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees are normally available at the meeting to answer those questions relating to the work of these committees.

Interested Person Transactions (IPT)

The Company has established a procedure for recording and reporting interested person transactions. Details of significant interested person transactions for the period ended 31 March 2006 are set out below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000)
Bruno Zheng Wu Yang Lan Sun Media Investment Holdings Limited	S$1,080,000 (1)	NA
Bruno Zheng Wu Ricky Ang Gee Hing Yang Lan Sun Media Investment Holdings Limited	S$85,168,667 (2)	NA
Ze Hua Holdings Pte Ltd Low Song Take Kevin Low Ka Choon	S$1,012,740 (3)	NA

(1) The transaction relates to the sale of 18 million shares in Auston International Group Limited at S$0.06 each by Auston Technology Group Pte Ltd to Sun Media Investment Holdings Ltd.
(2) The transaction was completed on 21 April 2006. Shareholders' approval for the transactions was obtained at an extraordinary general meeting held on 30 March 2006.
(3) This relates to a convertible loan of US$600,000 from Ze Hua Holdings Pte Ltd. The loan is convertible into shares of Sun New Media Inc at US$1.50 each or shares of other listed company at a price to be determined between the Company and Ze Hua.
Ze Hua has a 50% stake in International Press Holdings Pte Ltd of which Mr Low Song Take and Mr Kevin Low are shareholders. Please refer to "Substantial Shareholders" for more information.

CORPORATE GOVERNANCE

Material Contracts

Saved as disclosed in the interested person transactions section, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the Chief Executive Officer, Directors or controlling shareholders, which are either subsisting at the end of the financial year, or if not than subsisting, entered into since the end of the previous financial year.

The Material Contracts entered into by the Company during the financial year in review are as follows:

1. The Company's subsidiary, Auston Technology Group Pte Ltd ("ATG"), had on 11 April 2005, entered into three separate sale and purchase agreements with unrelated third parties for the sale of 20 million Auston shares at a price of $0.10 per Auston share.

2. On 20 May 2005, ATG entered into termination agreements with Ethe One Limited, Tan Choon Wee and Kim Eng Securities Pte Ltd, due to the non-fulfillment of the conditions precedent in the sale and purchase agreements between ATG and the three parties.

3. On 30 May 2005, ATG entered into a sale and purchase agreement with Wuhan Hong Bo Group Limited for the sale of 20 million Auston shares at a price of $0.06 per Auston share.

4. The Company entered into a Equity Line of Credit Agreement, with Cornell Capital Partners Offshore LP ("Investor") dated 2 June 2005. Pursuant to the Agreement, the Investor has agreed to purchase up to S$10,000,000 of Shares in the Company. The Company will, as and when needed, request an advance from the Investor ("Advance"). The Investor will pay such Advance to the Company (less applicable fees and commission) and the Company will issue and allot ordinary shares ("Advance Shares") to the Investor. The exercise price for these Advance Shares will be the lowest daily volume weighted average price of the ordinary shares during the relevant pricing period which is the five market days after the Advance. The Company intends to use the proceeds as its working capital.

5. On 29 June 2005, the Company entered into an agreement with Rodeo Asia Limited to sell 1.25% of the Company's effective interest in Asia Multi-Media Technology Services Holdings Limited.

6. On 10 August 2005, the Company announced that its wholly owned subsidiary, OSGPH had entered into an agreement with Sun Media, Sun New Media Holdings Limited and Mr Cheng Hong and his team and/or nominees in relation to the acquisition of new shares in the capital of Compass Multi-Media Limited ("CMML"), where OSGPH will subscribe for 450 shares in CMML for a cash consideration of HK$450 and extend a shareholder's loan of RMB 4.3 million to CMML for working capital purposes. The Company announced on 19 September 2005 that OSGPH has decided not to proceed with the above acquisition.

7. On 15 August 2005, the Company entered into a sale and purchase agreement to acquire 60% of the issued and paid-up capital in Media Agents Limited from Yu Jian for an aggregate consideration of RMB 45 million.

8. On 19 September 2005, the Company entered into a sale and purchase agreement to divest its publishing assets to Sun New Media Inc ("SNMI", formerly known as SE Global Equities Corp) for a consideration of US$80 million to be satisfied by the issue and allotment of 26.7 million SNMI shares.

   Both the Company and SNMI further revised the terms of the agreement on 2 November 2005, varying the portfolio of the assets and the conditions precedent to take into account certain US regulatory requirements

   The sale and purchase agreement was further revised on 21 November 2005 where the Company divested 2 properties in Beijing, 53 million shares in Asia Premium Television Group, Inc and an exclusive perpetual online publishing rights for Wine & Dine, Smart Investor, Wide Angle, Observer Star and China Business Post to SNM for a consideration of up to US$52,347,060.50 to be satisfied by the issue and allotment of 14,956,303 SNMI shares.

   The Company also entered into a Shares Swap Agreement with SNMI on 21 November 2005, whereby the Company will issue and allot 150 million shares to SNMI for a consideration of S$30 million to be satisfied by the issue and allotment of 5,042,017 SNMI shares.

9. On 7 October 2005, the Company entered into a Loan Agreement with Ze Hua Holdings Pte Ltd ("Ze Hua") for an aggregate amount of US$600,000 (approximately S$1.01 million) at an interest rate of 5.78% per annum (the "Loan"). Pursuant to the Loan Agreement, Ze Hua may elect for the Company to repay the Loan in (a) cash; (b) transfer of 400,000 shares in Sun New Media Inc; or (c) transfer of such number of shares in a listed company, held by the Company representing a total value of not less than US$600,000.

10. On 15 May 2006, the Company entered into a Placement Agreement (the "Placement agreement") with UOB Kay Hian Private Limited ("UOBKH") and a Subscription Agreement (the "Subscription Agreement") with International Press Holdings Pte Ltd ("IPH"). Under the terms of the Placement Agreement, UOBKH will procure purchasers on a best endeavour basis, for an aggregate of up to 30 million existing ordinary shares at S$0.07 each in the capital of the Company owned by IPH. Pursuant to the terms of the Subscription Agreement, the Company will allot and issue 30 million new ordinary shares to IPH.

11. On 4 July 2006, the Company announced that its 20.5% associate, Asia Network Technologies Limited had through its subsidiary, Asia Multimedia Technologies Limited successfully completed the sale of the rights of use of the fibre optic network on perpetuity to Sun TV Shop Limited. The Group will receive 49,068,758 Sun TV Shop Plc ("STV Plc") which is listed on London's Alternative Investment Market on 7 July 2006.

    The Company also entered into a sale and purchase agreement with Alqueria Industrial Limited on 4 July 2006 for the sale of 3,000,000 STV Plc shares at 20p each.

Dealings in Securities

The Company has adopted the SGX-ST Best Practices Guide applicable in relation to dealings in the Company's securities by its officers. The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks or one month before the announcement of the Company's financial statements for one month before half year or financial year, as the case may be, and ending on the date of the announcements of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

Best Practices Guide

The Company has complied materially with the Best Practices Guide issued by SGX-ST.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Sun Business Network Ltd. (formerly known as Panpac Media Group Limited) (the "Company") and its subsidiaries (collectively, the "Group") for the financial period from 1 January 2005 to 31 March 2006 and the balance sheet of the Company for the financial period ended 31 March 2006.

Directors

The directors of the Company in office at the date of this report are as follows:

Low Song Take
Bruno Zheng Wu
Ricky Ang Gee Hing
Kevin Low Ka Choon
Yang Lan
Jeffrey Tan Boon Khiong
Richard Tan Tew Han
Vincent Cyril Demitrius Pereira
You Susheng
Chauncey Shey (appointed on 24 May 2005)

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Except as disclosed in the accompanying financial statements, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The interests of the directors who held office at the end of the financial period in the share capital or debentures of the Company or related corporations, according to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act (Chapter 50), were as follows:

	Shares registered in name of director or nominee			Shareholdings in which a director is deemed to have an interest		
The Company	**As 1 January 2005**	**At 31 March 2006**	**At 21 April 2006**	**At 1 January 2005**	**At 31 March 2006**	**At 21 April 2006**
Ordinary shares of $0.05 each						
Low Song Take	6,117,647	6,117,647	6,117,647	76,962,588	76,962,588	76,962,588
Bruno Zheng Wu	–	–	–	98,000,000	235,700,000	255,700,000
Ricky Ang Gee Hing	10,513,235	10,513,235	10,513,235	28,197,294	28,197,294	28,197,294
Kevin Low Ka Choon	2,600,000	2,600,000	2,600,000	76,962,588	76,962,588	76,962,588
Yang Lan	–	–	_	98,000,000	235,700,000	255,700,000

Except as disclosed above, no other director had an interest in any shares or debentures of the Company or related corporations either at the beginning of the financial period, or date of appointment, if later, or the end of the financial period and on 21 April 2006.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

The Sun Business Network Ltd. Share Option Scheme (the "Scheme") is administered by a committee comprising all the members of the Board of directors at the date of this Report.

As at 31 March 2006, the number of unissued options granted under the Scheme is as follows:

Date of Grant	Options granted as at 1.1.2005	No. of options exercised	No. of options lapsed	No. of options outstanding as at 31.03.2006	Exercise price per share	Expiry date
27.02.2000	152,000	–	152,000	–	$0.976	26.02.2005
15.08.2000	111,500	–	111,500	–	$0.448	14.08.2005
10.08.2001	426,000	–	76,000	350,000	$0.180	09.08.2006
12.07.2002	502,000	–	71,000	431,000	$0.120	11.07.2007
	1,191,500	–	410,500	781,000		

No options were granted to directors and controlling shareholders or to associates of controlling shareholders of the Company.

Share option (cont'd)

The name of the employees who received 5% or more of total options available under the Scheme were as follow:

	Number of shares under option			
	Granted during the financial period	**Aggregate options granted since commencement of Scheme**	**Aggregate options lapsed since commencement of Scheme**	**Total options not exercised**
Agatha Koh Brazil	–	100,000	–	100,000
Ng Hwee Ling	–	126,500	22,500	104,000
Paul Tan Chee Kian	–	115,000	36,000	79,000
Swee Mei Lan	–	162,000	60,000	102,000
Teoh Lo Hai	–	331,000	64,000	267,000
Yew May Geok	–	70,000	20,000	50,000
Total	–	904,500	202,500	702,000

The options under the Scheme do not entitle the holder to participate in any share issue of any other corporation by virtue of the option.

Except as disclosed above, during the financial period, there were:
- no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries;
- no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and
- no unissued shares of the Company or its subsidiaries under option.

Convertible notes

a) During the period, the Company entered into an Equity Line of Credit Agreement dated 2 June 2005 (the "Agreement") with Cornell Capital Partners Offshore LP ("Cornell"), whereby Cornell agreed to subscribe for new ordinary shares of up to S$10,000,000 in the capital of the Company. Cornell will pay such Advance to the Company (less applicable fees and commission) and the Company will pursuant to the terms of the Agreement issue and allot ordinary shares ("Advance Shares") to Cornell.

The exercise price for those Advance Shares will be the lowest daily volume weighted average price of the ordinary shares during the relevant pricing period which is the five market days after the Advance. The Company will not issue shares to Cornell at a price that is less than 93% of the volume weighted average price of the ordinary shares for the market day immediately preceding the date of the relevant Advance.

During the financial period, Cornell subscribed for new ordinary shares of 54,131,358 shares for an aggregate amount of $3,800,000. The proceeds were used to finance the operations of the Company and the Group.

b) During the period, the Company issued $3,000,000 convertible notes to Quantum Capital Asset Management at its principal value for cash, of which all the $3,000,000 was converted into 55,555,554 shares. The proceeds of the Notes were used to finance the operations of the Company and the Group.

Properties held by the Group

The Group has the following property:

Description / Address	**Tenure of properties**	**Cost $'000**
Warehouse (Unit Q, 5th Floor, Houston Industrial Building Tsuen Wan Town Lot No. 93 N.T. Hong Kong)	33 years lease from 1990	77

Audit committee

The Audit Committee ("AC") comprises Independent Directors, Jeffrey Tan Boon Khiong (Chairman), Richard Tan Tew Han, and a Non-Executive Director, Kevin Low Ka Choon.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

The Audit Committee has recommended to the Board of Directors that the auditors, First Trust Partnership, be nominated for re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

Auditors

First Trust Partnership have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

Bruno Zheng Wu
Director

Ricky Ang Gee Hing
Director

Singapore
11 July 2006

STATEMENT BY DIRECTORS

In the opinion of the directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 23 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the results, changes in equity and cash flows of the Group for the financial period from 1 January 2005 to 31 March 2006, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Bruno Zheng Wu
Director

Ricky Ang Gee Hing
Director

Singapore
11 July 2006

AUDITORS' REPORT

To the Members of Sun Business Network Ltd (formerly known as Panpac Media Group Ltd)

1. We were engaged to audit the accompanying financial statements of Sun Business Network Ltd. (the "Company") and the consolidated financial statements of the Company and its subsidiaries (collectively "the Group") set out on pages 23 to 67 for the financial period from 1 January 2005 to 31 March 2006, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors.

2. The financial statements for the financial year ended 31 December 2004 were audited by another firm of certified public accountants (the "Preceding Auditors"), whose report dated 10 May 2005 contained a disclaimer of opinion, the details of which are described in paragraph 4 below.

3. Except as discussed in the following paragraphs, we conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation.

4. The Preceding Auditors were unable to express an opinion on the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2004 ("FY2004") due to the following:

(i) the limitation of scope in obtaining evidence concerning the intangible assets (advertising rights) amounting to $11.0 million (or equivalent to HK$52.5 million) of The Observer Star Global Publishing Holdings Limited and its subsidiaries (the "OSGPH Group") and consequently the appropriateness of the financial statements of OSGPH Group that had been included in the consolidated financial statements of the Group for FY2004;

(ii) the limitation of scope in obtaining relevant information and the absence of alternative audit processes available on the carrying value of the intangible assets of Asia Network Technologies Limited and its subsidiaries (the "ANTL Group") amounting to US$368.7 million which were included in the consolidated balance sheet of the Group. Consequently, the Preceding Auditors were unable to obtain sufficient evidence to ascertain the fair value of the underlying assets recorded as investment in associates amounting to $89.8 million and the recognition of the negative goodwill amounting to $83.5 million in the consolidated statement of profit and loss of the Group;

(iii) the on-going investigation by the Commercial Affairs Department ("CAD") regarding accounting irregularities on the financial statements of Auston International Group Ltd. and its subsidiaries (the "AIGL Group") for the financial periods 2002, 2003 and the first half of 2004. The outcome of the investigation might uncover other information, which might require adjustments to be made to the FY2004 financial statements; and

(iv) the uncertainty regarding the ability of the AIGL Group to meet their financial obligations and to continue as going concern for the foreseeable future.

5. We discuss below the extent to which the matters that gave rise to the disclaimer of opinion in respect of the FY2004 financial statements that remained unresolved, insofar as they impact on both the corresponding as well as current periods' figures provided in the current financial statements, and other additional matters that relate to the current financial statements:

(i) the auditors of OSGPH Group were unable to determine whether the intangible assets (advertising rights) amounting to approximately $10.6 million as at 31 March 2006 were fairly stated due to the lack of sufficient appropriate evidence to substantiate such an amount. Consequently, we are also unable to determine whether the intangible assets (advertising rights) that have been included in the consolidated financial statements were over or under stated.

(ii) as disclosed in Notes 8 and 26 to the financial statements, the Group has made an allowance for impairment loss of approximately $61.1 million for the current financial period against the carrying amount of associates.

As the Preceding Auditors were unable to determine the appropriateness of the opening balance of the carrying amount of associates amounting to approximately $89.9 million as at 31 December 2004 or 1 January 2005, we are also unable to determine whether the impairment charge of approximately $61.1 million for the current financial period was fairly stated.

(iii) as described in Note 31 to the financial statements, during the current financial period, the Group had fully disposed of its entire equity interest in the AIGL Group. The unaudited results of the AIGL Group from 1 January 2005 till the date of its effective disposal have been included in the consolidated financial statements of the Group.

As at the date of this report, the CAD investigation on those matters in relation to AIGL Group as described in paragraph 4(iii) above has yet to be completed. The outcome of the investigation might uncover other information, which might require additional adjustments and/or disclosures to be made to the current and/or corresponding periods' financial statements.

In view of the above, we are unable to satisfy ourselves as to the appropriateness of the financial results of the AIGL Group and of the resulting gain arising from the disposal that had been included in the consolidated financial statements of the Group.

AUDITORS' REPORT

6. In view of the matters detailed in paragraphs 4 and 5 above, we are unable to determine the effects of adjustments and/or the extent of disclosures, if any, that are required to be made to the opening balances that were brought forward into the current period's financial statements, as well as to the corresponding period's figures.

7. Because of the significance of the matters referred to in the preceding paragraphs, we are not in a position to, and accordingly, do not express an opinion as to whether:

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006, the results, changes in equity and cash flows of the Group for the financial period from 1 January 2005 to 31 March 2006; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

First Trust Partnership
Certified Public Accountants

Singapore
11 July 2006

Balance Sheets
As At 31 March 2006
(Amounts in thousands of Singapore dollars)

	Note	Group		Company	
		31 March 2006 $'000	31 December 2004 $'000 (Note 39)	31 March 2006 $'000	31 December 2004 $'000 (Note 39)
Equity attributable to the shareholders of the Company					
Share capital	3	88,336	31,903	88,336	31,903
Share premium		–	16,723	–	16,723
Revenue reserves (accumulated losses)		32,784	63,215	(48,833)	(14,806)
Translation reserves		1,539	1,637	–	–
		122,659	113,478	39,503	33,820
Minority interests		884	367	–	–
TOTAL EQUITY		123,543	113,845	39,503	33,820
Property, plant and equipment	4	1,320	4,715	55	68
Intangible assets	5	11,423	12,643	–	–
Goodwill	6	4,456	9,853	–	–
Subsidiaries	7	–	–	27,106	36,898
Associates	8	28,715	89,859	8,000	8,000
Other receivables	9	–	237	–	–
Long term investment	10	–	–	–	–
Current assets					
Work-in-progress, at cost	11	146	147	–	–
Trade receivables	12	6,738	2,397	–	–
Other receivables, deposits and prepayments	13	9,843	9,437	6,272	6,611
Due from subsidiaries (trade)	14	–	–	332	461
Due from subsidiaries (non-trade)	14	–	–	10,552	19,333
Due from associates (non-trade)	15	7	–	7	–
Financial assets at fair value through profit or loss	16	78,230	1,645	–	–
Cash and bank balances		1,028	4,400	155	2,079
		95,992	18,026	17,318	28,484
TOTAL ASSETS		141,906	135,333	52,479	73,450

The accompanying notes are an integral part of the financial statements

Balance Sheets
As At 31 March 2006
(Amounts in thousands of Singapore dollars)

		Group		Company	
	Note	**31 March 2006 $'000**	**31 December 2004 $'000 (Note 39)**	**31 March 2006 $'000**	**31 December 2004 $'000 (Note 39)**
Current liabilities					
Trade payables	17	1,968	4,255	221	377
Other payables and accruals	18	12,081	13,952	2,929	3,725
Due to subsidiaries (non-trade)	15	–	–	4,749	1,735
Bank term loans (current portion)	19	1,637	1,633	1,500	1,500
Lease obligations (current portion)	20	–	22	–	–
Loan from a subsidiary	21	–	–	1,271	–
Loan from a related party	22	1,013	–	1,013	–
Provision for taxation		67	34	–	–
Bank overdrafts	23	999	709	698	–
		17,765	20,605	12,381	7,337
Non-current liabilities					
Lease obligations (non-current portion)	20	–	22	–	–
Loan from a subsidiary	21	–	–	–	31,435
Deferred taxation	30	598	861	595	858
TOTAL LIABILITIES		18,363	21,488	12,976	39,630
NET ASSETS		123,543	113,845	39,503	33,820

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Profit and Loss
for the financial period from 1 January 2005 to 31 March 2006
(Amounts in thousands of Singapore dollars)

	Note	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000 (Note 39)
Continuing operations:			
Revenue	24	14,060	14,700
Other income	25	45,106	92,198
Direct costs:			
– Publications		(7,426)	(5,468)
– Exhibition and events		(60)	(971)
Amortisation & depreciation		(1,574)	(493)
Operating lease expenses		(905)	(712)
Other operating expenses, net	26	(71,540)	(17,333)
Personnel expenses	27	(7,396)	(7,425)
(Loss) Profit from operations	28	(29,735)	74,496
Share of (loss) profit of associates		(17)	140
Finance expenses, net	29	(185)	(145)
(Loss) Profit before taxation		(29,937)	74,491
Taxation	30	47	(10)
Net (loss) profit from continuing operations		(29,890)	74,481
Discontinued operations:			
Net profit (loss) from discontinued operations	31	263	(2,908)
Total (loss) profit after taxation		(29,627)	71,573
(Loss) Profit attributable to:			
– Shareholders of the company		(30,431)	72,191
– Minority interests		804	(618)
		(29,627)	71,573
Earnings per share (cents)	32		
(Loss) Profit from continuing operations attributable to the equity holders of the Company			
Basic		(4.10)	16.38
Diluted		(4.10)	16.38
Profit (Loss) from discontinued operations attributable to the equity holders of the Company			
Basic		0.04	(0.56)
Diluted		0.04	(0.56)

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Changes in Equity

for the financial period from 1 January 2005 to 31 March 2006
(Amounts in thousands of Singapore dollars)

The Group	Attributable to equity holders of the Company				Minority Interests	Total Equity
	Share capital $'000	Share premium $'000	Translation reserve $'000	Revenue reserve $'000		
Balance at 1.1.2004	17,149	4,593	1,591	(8,976)	623	14,980
Issuance of shares	14,754	12,130	–	–	–	26,884
Profit (Loss) for the financial year	–	–	–	72,191	(618)	71,573
Acquisition of subsidiary	–	–	–	–	369	369
Currency translation differences	–	–	46	–	(7)	39
Balance at 31.12.2004	31,903	16,723	1,637	63,215	367	113,845
Balance at 1.1.2005 as previously reported	31,903	16,723	1,637	63,215	367	113,845
Effect of adoption of FRS 39	–	–	–	2,685	–	2685
Balance at 1.1.2005 as restated	31,903	16,723	1,637	65,900	367	116,530
Disposal of financial assets at fair value through profit or loss	–	–	–	(2,685)	–	(2,685)
Issuance of shares	14,984	25,215	–	–	–	40,199
Expenses on issue of new shares	–	(489)	–	–	–	(489)
(Loss) Profit for the financial period	–	–	–	(30,431)	804	(29,627)
Acquisition of subsidiaries	–	–	–	–	(293)	(293)
Currency translation differences	–	–	(98)	–	6	(92)
Transfer of share premium reserve to share capital account	41,449	(41,449)	–	–	–	–
Balance at 31.3.2006	88,336	–	1,539	32,784	884	123,543

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Cash Flows
for the financial period from 1 January 2005 to 31 March 2006
(Amounts in thousands of Singapore dollars)

	Note	Group	
		1 January 2005 to 31 March 2006 $'000	**1 January 2004 to 31 December 2004 $'000 (Note 39)**
Cash flows from operating activities			
Profit (Loss) before taxation and minority interests			
Continuing operations		(29,937)	74,491
Discontinued operations		263	(3,023)
		(29,674)	71,468
Adjustments for:			
Share of loss (profit) of associates		17	(140)
Depreciation of property, plant and equipment		989	768
Gain on disposal of property, plant and equipment		(7)	(18)
Gain on deemed dilution in a subsidiary		–	(1)
Gain on disposal of subsidiaries		(1,304)	(6,558)
Gain on disposal of associate		–	(1,403)
Gain on disposal of properties		(127)	–
Gain on disposal of financial assets at fair value through profit or loss		(2,707)	–
Sale of contents right and licensing fees		(41,308)	(4,727)
Negative goodwill arising from acquisition of an associate		–	(83,499)
Amortisation of intangible assets		710	15
Property, plant and equipment written off		233	106
Intangible assets written off		–	94
Write-off of other investments		–	114
Allowance for impairment of intangible assets		659	405
Allowance for impairment of associates		61,127	–
Allowance for impairment of unquoted equity shares		–	300
Allowance for impairment of goodwill		1,911	10,157
Interest expense		195	150
Operating cashflow before working capital changes		(9,105)	(12,769)
Work-in-progress		1	248
Trade and other receivables		(5,133)	724
Trade and other payables		(707)	3,752
Cash used in operations		(14,944)	(8,045)
Interest paid		(195)	(150)
Income taxes paid		(183)	(40)
Net cash used in operating activities		(15,322)	(8,235)

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Cash Flows (cont'd)

	Note	Group 1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000 (Note 39)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		–	(1,250)
Proceeds (Loss) from disposal of subsidiaries, net of cash disposed (Note A)		2,907	(204)
Capitalisation of intangible assets		–	(25)
Proceeds from sale of property, plant and equipment		32	29
Purchase of property, plant and equipment		(758)	(1,028)
Increase in investment in subsidiaries (Note B)		(770)	–
Purchase of unquoted equity shares		–	(17)
Capitalisation of intangible assets		(1)	–
Net cash from (used in) investing activities		1,410	(2,495)
Cash flows from financing activities			
Proceeds from issue of new shares		7,200	851
Proceeds from issue of unsecured convertible notes (Note C)		3,000	12,000
Contribution from a minority shareholder of a subsidiary		–	30
Repayment of hire purchase/ finance lease liabilities		(44)	(21)
Proceeds from bank term loans		4	373
Proceeds from loan from related party		1,013	–
Payment of expenses on issuance of new shares		(489)	–
Net cash from financing activities		10,684	13,233
Net effect of exchange rate changes in consolidating subsidiaries		(434)	167
Net (decrease) increase in cash and cash equivalents		(3,662)	2,670
Cash and cash equivalents at beginning of the financial period / year		3,691	1,021
Cash and cash equivalents at end of the financial period / year	33	29	3,691

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Cash Flows (cont'd)

Note A
The attributable net assets of the subsidiaries disposed of are as follows:

	Disposal of subsidiaries 1 January 2005 to 31 March 2006 $'000
Property, plant and equipment	538
Trade receivables	172
Other receivables and prepayments	825
Cash and bank balances	137
Trade payables	(2,250)
Other payables and accruals	(1,209)
Bank overdrafts	(211)
Fair value of net tangible assets	(1,998)
Goodwill	4,000
Intangible assets	67
Gain on disposal of subsidiaries	1,304
Total sales proceeds	3,373
Less: Sales proceeds satisfied via deferred cash settlement	(540)
Cash flow arising from disposal of subsidiaries during the period	2,833
Cash and bank balances disposed of	74
Net cash flow arising from acquisition of subsidiaries during the period	2,907

During the financial period, the Group disposed of Auston International Group Ltd, which comprises the Group's education segment. For details of the discontinued operations, refer to Note 31.

Note B
On 1 March 2006, a subsidiary acquired an additional 30% of the issued share capital of The Observer Star Publishing Global Limited ("OSP") and The Observer Star (PRC) Limited ("OSPRC"), for a purchase consideration of approximately $642,000 and $121,000 respectively. Pursuant to the acquisition, the Group holds 100% (2004: 70%) of the issued and paid up capital of OSP and OSPRC.

During the financial period, the Company acquired an additional 6.45% of the share capital of Asia Media Pte Ltd ("AMPL") for a total consideration of $6,450. Pursuant to the acquisition, the Group holds 76.5% (2004: 70%) of the issued and paid up capital of AMPL.

Note C
During the financial period, the Company issued convertible notes amounting to $6,800,000 which were subsequently fully converted to 109,686,912 ordinary shares.

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements
for the financial period ended 31 March 2006
(Amounts in thousands of Singapore dollars, unless otherwise stated)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office is 50 Raffles Place # 29-00 Singapore Land Tower, Singapore 048623. The address of its principal place of business is at 371 Beach Road, #03-18 Keypoint, Singapore 199597.

The principal activities of the Company are the provision of management services and in the business of making investments. The principal activities of its subsidiaries are shown in Note 7.

On 7 February 2005, the Company changed its name from Panpac Media Group Limited to Sun Business Network Ltd. During the current financial period, the Company changed its financial year end from 31 December to 31 March. The financial statements of the Company and the consolidated financial statements of the Group for the financial period from 1 January 2005 to 31 March 2006 were authorised for issue by the Board of Directors on 4 July 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance as required by the Singapore Companies Act. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars and all values are rounded to the nearest thousand ($'000) unless otherwise indicated.

The Group has early adopted FRS 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets, on a prospective basis, effective 1 January 2004. In the current financial period, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new / revised FRS and INT FRS has no material effect on the financial statements, except as disclosed in the notes to the financial statements.

The new/revised FRS which are relevant to its operations are as follows:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchanges Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 28 (revised 2004)	Investments in Associates
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004)	Earnings per Share
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 102	Share-based payment
FRS 105	Non-current Assets Held for Sale and Discontinued Operations

At the date of authorisation of these financial statements, the following new FRS and INT FRS were issued as of balance sheet date but are not yet effective.

FRS 40	Investment Property
FRS 106	Exploration for and Evaluation of Mineral Resources
FRS 19	(Amendment) Employee Benefits – Actuarial gains and losses, Group plan and disclosures
FRS 39	(Amendment) Financial instruments: Recognition and Measurement – cash flow hedge accounting of forecast intra group transactions
INT FRS 104	Determining whether an arrangement contains a lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The directors anticipate that the adoption of these FRS and INT FRS in future periods will have no material impact on the financial statements of the Company and of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation (cont'd)

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in the notes to the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the period are consolidated for the periods from or to the effective date of acquisition or disposal. All intercompany balances, transactions and unrealised profit or loss on intercompany transactions are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses is fully recovered by the equity holders of the Company.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the statement of profit and loss. On disposal of Investments in subsidiaries and associates, the differences between net disposal proceeds and the carrying amount of the investments is taken to the statement of profit and loss.

Subsidiaries

A subsidiary is a company, in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 "Business Combinations" are recognised at their fair values at acquisition date.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised immediately in the consolidated statement of profit and loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Associates

An associate is a company, not being a subsidiary, in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit and loss.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Property, plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment are depreciated using the straight-line method to write-off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives have been taken as follows:

	Useful lives (Years)
Motor vehicles	5
Furniture and fittings	5 to 20
Office equipment	5 to 10
Computers	3
Renovation	5 to 10
Warehouse and leasehold properties	over the remaining lease period

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. An assessment of the carrying value of property, plant and equipment is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Magazines mastheads are capitalised and less accumulated impairment losses. The intangible assets are reviewed annually by the directors and provision is made for impairment in value. No amortisation charged in the current year financial statements. Instead, the Group recognised provision for impairment losses on intangible assets amounting to approximately $659,000.

Course development costs incurred in developing new courses and the accompanying manuals and other projects are capitalised so long as it can reasonably be expected to be recovered from related future revenues. Such expenditure is amortised over the periods expected to benefit from it, commencing with the period in which related revenues are first generated.

Advertising rights arising from business combination is capitalised and amortised on a straight-line basis over its 20-year useful life.

Impairment of tangible and intangible assets, excluding goodwill

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. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of profit and loss in the period in which it arises, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

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) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the statement of profit and loss in the period in which it arises, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Work-in-progress

Work-in-progress relates to costs incurred in the production of magazines and periodicals which have not been issued and exhibitions that have not been launched as at the end of the financial period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in financial assets

• **Classification**
The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet.

• **Initial measurement**
Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

• **Subsequent measurement**
Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the statement of profit and loss in the period in which they arise.

• **Recognition and derecognition**
Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Trade and other receivables

Trade and other receivables (including amounts due from subsidiaries and associates) are classified and accounted for as loans and receivables under FRS 39 and are recognised and carried at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment losses on any uncollectible amounts.

Impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Specific allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand and in banks, excluding cash deposits pledged for period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value and have a short maturity of generally with in three months when acquired.

Trade and other payables

Trade and other payables (including amounts due to subsidiaries, loan from a subsidiary and a related party), are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Bank term loans

Bank term loans are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of profit and loss over the period of the borrowings using the effective interest method.

Bank term loans which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Bank term loans due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

Revenue recognition

Revenue from the circulation of magazines and periodicals is recognised upon delivery of goods and acceptance by customers. Subscription income is amortised over the period of the subscription.

Revenue from advertisements is recognised based on the date of publication.

Revenue from events management and conventions organisation is recognised when the exhibition event has occurred, at which time the direct costs associated with the organisation of the event are matched with the respective revenue.

Education revenue consists of course fee, upfront licence fee and recurring affiliate/franchise fee. Course fee income and recurring affiliate/franchise fee is recognised over the period of the course.

Revenue from upfront licence fee from affiliation/franchising agreements is generally recognised from the date of acceptance and fulfillment of obligations under the affiliation/franchising agreements.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

- **Singapore**

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme.

- **Subsidiaries operating in other countries**

As required by law, the subsidiaries make contributions to the state pension scheme under a defined contribution pension scheme.

Obligations for contributions to defined contribution retirement plans are recognised as compensation expense in the same period as the employment that gives rise to the contribution in the consolidated statement of profit and loss as and when they are incurred.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. No compensation costs or obligation is recognized upon granting or the exercise of the options as the options are granted before 22 November 2002 in accordance with the transitional provisions of FRS 102, Share-based payment. Details of the Scheme are disclosed in the Report of the Directors. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases

(i) Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal at the inception of the lease to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the statement of profit and loss.

(ii) Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Research and development costs

Research and development expenses incurred on individual projects are expensed to the statement of profit and loss as incurred unless the project's future recoverability can be foreseen with reasonable assurance.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not tax able or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Foreign currency transactions and balances

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the statement of profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the statement of profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates and judgments

Estimates and judgments 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.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

• **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 March 2006 was $4.5 million (2004: $9.9 million) after an impairment loss of $1.9 million was recognised during the current financial period. Details of the impairment loss are provided in Note 6 to the financial statements.

• **Taxation**

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation was approximately $67,000 (2004: $34,000) as at 31 March 2006.

• **Impairment of financial assets**

Impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. 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. Where the actual results differ from the amounts that were initially assessed, such differences will result in a material adjustment to the carrying amounts within the next financial year.

(ii) Critical judgments in applying the entity's accounting policies

• **Determining finite and infinite useful lives of intangibles**

Intangibles, such as advertising rights and development costs, are amortised on a straight-line basis over the useful lives expected to be recovered from related future revenues. Management exercises judgment in estimating the useful lives of these intangibles. Changes in the expected level of usage and technological developments could impact the economic useful lives of these intangibles, therefore future amortisation charges could be revised.

Magazine mastheads are assessed to have indefinite useful lives and reviewed for impairment annually. The assessment requires an estimation of the value in use, which requires the Group to make an estimate of the expected future cash flows and discounted to calculate the present value of those cash flows.

The carrying amounts of these intangibles of the Group are $11.4 million (2004: $12.6 million) as at 31 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effects on financial statements on adoption of new or revised FRS

• **FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation**

(i) Classification and consequential accounting for financial assets and financial liabilities

Under FRS39 (revised 2004), the investments in quoted equity interests are classified as "financial assets at fair value through profit or loss" and are initially recognised at fair value and subsequently measured at fair values at the balance sheet date. Gains and losses arising from changes in fair value are included in the statement of profit or loss for the period, except when these investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they would be stated at cost. Impairment losses are taken to the statement of profit and loss in the period it arises.

Previously, the Group's trade and other payables and bank term loans were stated at cost. Bank term loans were stated at the proceeds received and transaction costs on borrowings were expensed off over the period of the loans.

On adoption of FRS 39 (revised 2004), they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method.

This change did not materially affect the financial statements for the period ended 31 March 2006.

(ii) Impairment and uncollectibility of financial assets

Previously, the Group maintained a general provision against its trade and other receivables for risks that were not specifically identified to any customer. Investments in unquoted equity shares were reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On adoption of FRS 39 (revised 2004), the Group is now required to assess at each balance sheet date if there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

This change did not materially affect the financial statements for the period ended 31 March 2006.

• **FRS 27 (revised 2004) Consolidated and Separate Financial Statements**

Previously, there was no requirement for the presentation of minority interests within equity. On adoption of FRS 27(revised 2004), minority interests were presented within equity of the Group retrospectively.

• **FRS 105 (revised 2004) Non-current Assets Held for Sale and Discontinued Operations**

Previously, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets (or disposal groups) held for sale and those for continuing use. With the adoption of FRS 105, non-current assets (or disposal groups) are classified as current assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

This change was accounted for prospectively from 1 January 2005, as set out in Note 31 to the financial statements.

3. SHARE CAPITAL

	Group and Company	
	31 March 2006 $'000	31 December 2004 $'000
Authorised [1]		
1,000,000,000 ordinary shares of $0.05 each	–	50,000
Issued and fully paid		
At beginning of period / year [1]		
638,051,376 (2004: 342,989,501) ordinary shares of $0.05 each	31,903	17,149
Issued during the period / year		
299,686,912 (2004: 295,061,875) ordinary shares	14,984	14,754
	46,887	31,903
Add: Transfer of share premium reserve to share capital account	41,449	–
At end of period / year [1]		
937,738,288 (2004: 638,051,376) ordinary shares of $NIL (2004: $0.05) each	88,336	31,903

[1] Pursuant to the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concepts of "par value", "authorised share capital" and "share premium" have been abolished. As a result, the Company has an issued and paid-up capital of $88,336,618 comprising 937,738,288 shares and has no authorised share capital as at 31 March 2006.

During the financial period, the Company issued 299,686,912 ordinary shares as follows:

(a) 55,555,554 ordinary shares at $0.054 arising from the conversion of convertible notes with Quantum Capital Asset Management Limited;

(b) 40,000,000 ordinary shares at $0.085 pursuant to a subscription agreement with Sun Media Investment Holdings Limited;

(c) 54,131,358 ordinary shares ranging from $0.065 to $0.075 pursuant to the Equity Line of Credit Agreement with Cornell Capital Partners Offshore, LP; and

(d) 150,000,000 ordinary shares at $0.20 pursuant to the Shares Swap Agreement with Sun New Media Inc..

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The new issued shares rank pari passu in all respects with the previously issued shares.

Since the inception of the Sun Business Network Ltd. Share Option Scheme, no ordinary shares were issued by virtue of the exercise of options granted to directors and eligible executives.

No compensation costs or obligation is recognised upon granting or the exercise of the options as the options are granted before 22 November 2002 in accordance with the transitional provision of FRS 102, Share-based Payment.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Motor Vehicles $'000	Furniture and fittings $'000	Office Equipment $'000	Computers $'000	Renovation $'000	Warehouse and leasehold properties $'000	Total $'000
Cost							
As at 1.1.2004	185	1,051	1,171	2,816	1,386	–	6,609
Additions	45	62	296	207	419	–	1,029
Disposals	(110)	(32)	(4)	(27)	(153)	–	(326)
Acquisitions through business combinations	167	221	84	222	269	2,448	3,411
Disposal of subsidiaries	(51)	(17)	(465)	(227)	(250)	–	(1,010)
Currency realignment	(5)	(1)	(3)	(16)	(5)	–	(30)
As at 31.12.2004	231	1,284	1,079	2,975	1,666	2,448	9,683
As at 1.1.2005	231	1,284	1,079	2,975	1,666	2,448	9,683
Additions	104	2	278	53	278	43	758
Disposals	(96)	(24)	(50)	(360)	(333)	(2,460)	(3,323)
Disposal of subsidiaries	–	(536)	(190)	(577)	(342)	–	(1,645)
Currency realignment	4	5	8	14	13	46	90
As at 31.3.2006	243	731	1,125	2,105	1,282	77	5,563
Accumulated depreciation							
As at 1.1.2004	179	648	827	2,242	857	–	4,753
Charge for the year	11	91	129	278	258	1	768
Disposals	(110)	(10)	(3)	(16)	(69)	–	(208)
Acquisitions through business combinations	79	101	25	67	37	29	338
Disposal of subsidiaries	(51)	(16)	(305)	(152)	(139)	–	(663)
Currency realignment	(5)	(1)	(2)	(10)	(2)	–	(20)
As at 31.12.2004	103	813	671	2,409	942	30	4,968
As at 1.1.2005	103	813	671	2,409	942	30	4,968
Charge for the period	34	109	261	247	318	20	989
Disposals	(71)	(16)	(33)	(290)	(194)	(17)	(621)
Disposal of subsidiaries	–	(256)	(142)	(431)	(279)	–	(1,108)
Currency realignment	2	3	2	6	2	^	15
As at 31.3.2006	68	653	759	1,941	789	33	4,243
Net book value							
As at 1.1.2004	6	403	344	574	529	–	1,856
As at 31.12.2004	128	471	408	566	724	2,418	4,715
As at 1.1.2005	128	471	408	566	724	2,418	4,715
As at 31.03.2006	175	78	366	164	493	44	1,320

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in the property, plant and equipment of the Group are assets acquired under hire purchase arrangements with a net book value of $Nil (2004: $52,000).

Company	Furniture and fittings $'000	Office equipment $'000	Computers $'000	Renovation $'000	Total $'000
Cost					
As at 1.1.2004 and 31.12.2004	415	347	1,257	598	2,617
As at 1.1.2005	415	347	1,257	598	2,617
Additions	–	–	8	35	43
As at 31.3.2006	415	347	1,265	633	2,660
Accumulated depreciation					
As at 1.1.2004	390	300	1,192	480	2,362
Charge for the year	24	34	64	65	187
As at 31.12.2004	414	334	1,256	545	2,549
As at 1.1.2005	414	334	1,256	545	2,549
Charge for the period	1	13	2	40	56
As at 31.3.2006	415	347	1,258	585	2,605
Net book value					
As at 1.1.2004	25	47	65	118	255
As at 31.12.2004	1	13	1	53	68
As at 1.1.2005	1	13	1	53	68
As at 31.3.2006	–	–	7	48	55

5. INTANGIBLE ASSETS

Group	Magazines mastheads $'000	Course development costs $'000	Advertising right $'000	Total $'000
Cost				
As at 1.1.2004	3,524	386	–	3.910
Additions through business combinations	–	–	11,043	11,043
Additions	–	9	16	25
Written-off	–	(103)	–	(103)
Disposal of subsidiaries	–	(204)	–	(204)
As at 31.12.2004	3,524	88	11,059	14,671
As at 1.1.2005	3,524	88	11,059	14,671
Additions	–	1	–	1
Disposal of subsidiaries	–	(89)	–	(89)
Currency realignment	–	–	211	211
As at 31.3.2006	3,524	–	11,270	14,794
Accumulated amortisation and impairment				
As at 1.1.2004	1,600	9	–	1,659
Amortisation for the year	–	15	–	15
Written-off	–	(9)	–	(9)
Impairment loss	405	–	–	405
Currency realignment	8	–	–	8
As at 31.12.2004	2,013	15	–	2,028
As at 1.1.2005	2,013	15	–	2,028
Amortisation for the period	–	7	703	710
Impairment loss	659	–	–	659
Disposal of subsidiaries	–	(22)	–	(22)
Currency realignment	(4)	–	–	(4)
As at 31.3.2006	2,668	–	703	3,371
Net book value				
As at 1.1.2004	1,924	377	–	2,301
As at 31.12.2004	1,511	73	11,059	12,643
As at 1.1.2005	1,511	73	11,059	12,643
As at 31.3.2006	856	–	10,567	11,423

The exclusive advertising publishing rights, owned by a subsidiary, was acquired through business combination with China Business Post for twenty years. The subsidiary owned a first right of refusal to renew the exclusive rights for a further twenty years upon expiry of the first twenty year term.

6. GOODWILL

	Group 31 March 2006 $'000
Cost	
As at 1.1.2004	15,705
Additions through business combinations	7,494
Disposal of subsidiaries	(878)
Currency realignment	(108)
As at 31.12.2004	22,213
As at 1.1.2005	22,213
Acquisition of subsidiaries	487
Disposal of subsidiaries	(12,727)
Currency realignment	58
As at 31.3.2006	10,031
Accumulated amortisation and impairment	
As at 1.1.2004	2,203
Impairment loss for the year	10,156
Currency realignment	1
As at 31.12.2004	12,360
As at 1.1.2005	12,360
Impairment loss for the period	1,911
Disposal of subsidiaries	(8,727)
Currency realignment	31
As at 31.3.2006	5,575
Net book value	
As at 1.1.2004	13,502
As at 31.12.2004	9,853
As at 1.1.2005	9,853
As at 31.3.2006	4,456

Goodwill stated in the balance sheet is mainly attributable and has been allocated for impairment testing purposes as to the Group's cash generating units ("CGU"). In the opinion of the Directors, goodwill relates to the synergistic benefits arising from the Group's acquisition of the CGU. In assessing for impairment, the Directors and management considered the CGUs' operating cash flows, profit forecast and projections.

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

7. SUBSIDIARIES

	Company	
	31 March 2006 $'000	31 December 2004 $'000
Unquoted equity shares, at cost	74,974	74,923
Impairment loss	(47,868)	(38,025)
	27,106	36,898

Notes to the Financial Statements (cont'd)

7. SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			31 March 2006 %	31 December 2004 %	31 March 2006 $'000	31 December 2004 $'000
Panpac Marketing & Circulation Pte Ltd (1)	Publishing and sale of periodicals and magazines	Singapore	100	100	1,950	1,950
Panpac Concepts Marketing Pte Ltd (1)	Publishing and sale of periodicals and magazines – currently dormant	Singapore	100	100	680	680
Panpac Specialist Magazines Pte Ltd (1)	Publishing and sale of periodicals and magazines – currently dormant	Singapore	100	100	2,300	2,300
Panpac Events Management Pte Ltd (1)	Exhibition fair and convention organisers – currently dormant	Singapore	100	100	1,185	1,185
Panpac Business Communications Pte Ltd (1)	Publishing and sale of periodicals and magazines – currently dormant	Singapore	100	100	5,578	5,578
Wine and Dine Experience Pte Ltd (1)	Publishing and sale of periodicals and magazines	Singapore	100	100	2,500	2,500
SmartInvestor Pte Ltd (1)	Publishing and sale of periodicals and magazines	Singapore	100	100	9,850	9,850
Panpac Media.com (Australia) Pty Ltd (5)	Investment holding – currently dormant	Australia	100	100	^	^
Panpac Future Titles Pte Ltd (1)	Publishing and sale of periodicals and magazines – currently dormant	Singapore	100	100	300	300
Panpac Media (M) Sdn. Bhd (3)	Publishing and sale of Periodicals and magazines	Malaysia	100	100	2,552	2,552
Panpac Tech Strategic Ltd (5)	Investment holding	British Virgin Islands	100	100	24,321	24,321
Grierson Pte Ltd (1)	Provision of e-business consultancy and marketing services to real estates and related industries – currently dormant	Singapore	85	85	850	850
Panpac Ventures (China) Pte Ltd (1)	Investment holding – currently dormant	Singapore	100	100	^	^
Auston Technology Group Pte Ltd (1)	Investment holding	Singapore	78.2	78.2	16,063	16,063

7. SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			31 March 2006 %	31 December 2004 %	31 March 2006 $'000	31 December 2004 $'000
Asia Media Pte Ltd [1]	Provision of media, publishing, communications and education related businesses	Singapore	76.5	70	76	70
Education & Entertainment Workshop Pte Ltd [1]	Publishing and sale of books – currently dormant	Singapore	77.8	77.8	204	204
AsiaStockWatch.com (Australia) Pty Ltd [5]	Provision of internet database services and information – currently dormant	Australia	100	100	^	^
The Observer Star Global Publishing Holdings Limited [2]	Investment holding	British Virgin Islands	100	100	6,520	6,520
Inovatif Media Asia Sdn. Bhd. [3]	Media Publishing	Malaysia	80.2	– *	45	–
					74,974	74,923

Held through subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			31 March 2004 %	31 December 2006 %
Panpac Specialist Magazines (Malaysia) Sdn. Bhd. [3]	Letting of property – currently dormant	Malaysia	100	100
Panpac Business Media (M) Sdn. Bhd. [3]	Media publishing – currently dormant	Malaysia	100	100
WDE (Malaysia) Sdn. Bhd. [3]	Media publishing – currently dormant	Malaysia	100	100
Panpac Lifestyle Magazines (M) Sdn. Bhd. [3]	Media publishing – currently dormant	Malaysia	100	100
Golf Times (Malaysia) Sdn. Bhd. [3]	Media advertising contractors and agents – currently dormant	Malaysia	100	100

Notes to the Financial Statements (cont'd)

7. SUBSIDIARIES (cont'd)

Held through subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 31 March 2006 %	31 December 2004 %
Inovatif Media Asia Sdn. Bhd. [3]	Media Publishing	Malaysia	– *	80.2
Auston International Group Ltd [1]	Consultancy and management services	Singapore	– (Note A)	82.8
Biz2net Asia Pte Ltd [1]	Consultancy and web design services – currently dormant	Singapore	100	100
Blue-Oaks.com Pte Ltd [1]	Software development and consultancy management services – currently dormant	Singapore	100	100
Data Information Systems Pte Ltd [1]	Consultants on computers peripheral equipment and technical and advisory services	Singapore	100	100
Juzlaw Solutions Pte Ltd [1]	Trading in computer hardware and accessories	Singapore	80	80
Auston Consultants Pte Ltd [1]	Consultancy and management services – currently dormant	Singapore	100	100
Auston International College Pty Ltd [5]	Provision of academic education – currently dormant	Australia	100	100
Auston Open University Corporation [5]	Provision of academic education – currently dormant	British Virgin Islands	100	100
Auston Professional Learning Pte Ltd [1]	Provision of information technology related courses	Singapore	100	100
Panpac Management and Information Consultants (Shanghai) Limited [4]	Provision of consultancy services for events, executive forms, forum workshops and strategic business conferences – currently dormant	China	100	100
TPMC Asia Pte Ltd [1]	Distribution of magazines – currently dormant	Singapore	77.8	77.8
Wide Angle Press Limited [2]	Publishing and sale of magazines	Hong Kong	100	100
Golden Horse Management Limited [2]	Investment holding – currently dormant	Hong Kong	85	85

7. SUBSIDIARIES (cont'd)

Held through subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 31 March 2006 %	31 December 2004 %
The Observer Star Group Holdings Limited [(2)]	Investment holding – currently dormant	British Virgin Islands	100	100
The Observer Star Publishing Global Limited [(2)]	Investment holding	British Virgin Islands	100	70
Star Newspapers Limited [(2)]	Publishing and sale of newspapers	Hong Kong	70	70
United Business Newspapers Limited [(2)]	Investment holding	British Virgin Islands	100	100
The Observer Star (PRC) Limited [(2)]	Investment holding – currently dormant	British Virgin Islands	100	70
Intercontinental Advertising Limited [(4)]	Media advertising agent	China	85	85
Excellence Financial Production Limited [(2)]	Currently dormant	Hong Kong	65	65
Sun Global Publishing Group (Hong Kong) Limited [(2)]	Investment holding	Hong Kong	100	100
Shanghai Panpac Management & Consultancy Limited [(4)]	Management and consultancy services	China	100	100
Shanghai Panpac Culture Distribution Limited [(4)]	Media advertising agent	China	100	100
Observer Star (HK) Limited [(2)]	Publishing & sale of newspapers	Hong Kong	100	100
Optima Media International Limited [(2)]	Management and consultancy services	British Virgin Islands	100	100
Caijing Times Advertising Development Corporation Ltd [(2)]	Media advertising agent	British Virgin Islands	100	100

[(1)] Audited by First Trust Partnership Singapore, a member of Horwath International.
[(2)] Audited by Horwath Hong Kong.
[(3)] Audited by Horwath Malaysia, Kuala Lumpur.
[(4)] Audited by Horwath China, Shanghai.
[(5)] Not required to be audited by the laws of their countries of incorporation.

^ Amounts less than $1,000.
* Previously held by a subsidiary, Inovatif Media Asia Sdn. Bhd. was transferred, at cost, to the Company during the current financial period.

Note A
As at 31 March 2006, the subsidiary disposed of its entire shareholdings in Auston International Group Ltd. The results of this discontinued operation are disclosed in Note 31.

8. ASSOCIATES

	Group		Company	
	31 March 2006 $'000	**31 December 2004 $'000**	**31 March 2006 $'000**	**31 December 2004 $'000**
Unquoted equity shares, at cost	6,420	6,420	8,060	8,060
Negative goodwill on acquisition	83,499	83,499	–	–
Share of post-acquisition losses	(17)	–	–	–
	89,902	89,919	8,060	8,060
Written-off	(60)	–	(60)	–
Impairment loss	(61,127)	(60)	–	(60)
	28,715	89,859	8,000	8,000

During the financial period, the Group carried out a review of the recoverable amount of its interests in associates. The review led to the recognition of an impairment loss of $61.1 million mainly determined from the fair value of the net identifiable assets of the associates.

The Group's share of the results and assets and liabilities of the associates was as follows:

	1 January 2005 to 31 March 2006 $'000	**1 January 2004 to 31 December 2004 $'000**
Revenue	–	509
Expenditure	(17)	(649)
(Loss) Profit before taxation	(17)	–
Taxation	–	–
(Loss) Profit after taxation	(17)	140
Property, plant and equipment	28,123	89,250
Current assets	592	609
	28,715	89,859

Details of the Group's significant associates are as follows:

Name of associates	**Principal activities**	**Country of incorporation and place of business**	**Effective equity held by the Group**		**Cost of investment**	
			31 March 2006 %	**31 December 2004 %**	**31 March 2006 $'000**	**31 December 2004 $'000**
Asia Link Media Pte Ltd [1]	Dormant	Singapore	–	49.9	–	60
Asia Network Technologies Limited [2]	Investment holding	British Virgin Islands	20.5	20.5	8,000	8,000
					8,000	8,060

8. ASSOCIATES (cont'd)

Held through subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 31 March 2006 %	Effective equity held by the Group 31 December 2004 %
PropertyNetAsia (Malaysia) Sdn Bhd [1]	Own, develop and operate the property portal	Malaysia	34	34

[1] Audited by other certified public accountants. These associates are not significant as defined under Listing Rule 718 of the Singapore Exchange Manual.

[2] Not required to be audited by the laws of the country of incorporation.

9. OTHER RECEIVABLES

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Other receivables	237	974	–	–
Allowance for doubtful debts	–	(737)	–	–
Disposal of subsidiaries	(237)	–	–	–
	–	237	–	–

This relates to an amount due from an investee company, which is unsecured and interest free.

10. LONG-TERM INVESTMENT

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Unquoted equity shares, at cost				
Balance at beginning of period / year	300	300	–	–
Allowance for impairment	–	(300)	–	–
Written off	(300)	–	–	–
Balance at end of period / year	–	–	–	–

11. WORK-IN-PROGRESS, AT COST

Work-in-progress relates to costs incurred in the production of magazines and periodicals which have not been issued and exhibitions that have not been launched at the end of the financial period.

Notes to the Financial Statements (cont'd)

12. TRADE RECEIVABLES

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Trade receivables	7,351	3,464	196	196
Allowance for impairment of trade receivables	(613)	(1,067)	(196)	(196)
	6,738	2,397	–	–

A subsidiary pledged its trade receivables amounting to approximately $137,000 (2004: $133,500) to a finance company to secure the factoring loan (Note 19).

The carrying amounts of trade receivables approximate their fair values.

Trade receivables denominated in various currencies are as follows:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Singapore dollars	998	1,784	196	196
Hong Kong dollars	5,374	591	–	–
Malaysian Ringgit	576	899	–	–
Others	403	190	–	–
	7,351	3,464	196	196

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Deposits	109	762	71	115
Prepayments	114	488	104	21
Tax recoverable	5	403	–	–
Sundry receivables [(1)]	9,577	7,724	6,097	6,475
Other assets [(2)]	38	61	–	–
	9,843	9,438	6,272	6,611
Allowance for impairment of other receivables	–	(1)	–	–
	9,843	9,437	6,272	6,611

The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

(1) Included in sundry debtors is $5.2 million (2004: $6.3 million) in the Company and the Group representing consideration receivable for the disposal of a subsidiary. This amount has been fully repaid subsequent to year-end.

(2) Other assets relates to food vouchers, hotel room-stays, gifts and promotion items arising from barter trades concluded with customers. This is an industry practice and constitutes a legally binding settlement arrangement for services rendered. These items are stated at cost as determined by the directors and charged to the consolidated statement of profit and loss as and when utilised.

Other receivables denominated in various currencies are as follows:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Singapore dollars	6,905	7,529	6,272	6,611
Hong Kong dollars	1,841	1,461	–	–
Malaysian Ringgit	61	161	–	–
Chinese Renminbi	1,036	287	–	–
	9,843	9,438	6,272	6,611

14. DUE FROM SUBSIDIARIES

	Company	
	31 March 2006 $'000	31 December 2004 $'000
Due from subsidiaries (trade)	835	964
Allowance for doubtful debts	(503)	(503)
	332	461
Due from subsidiaries (non-trade)	37,331	24,620
Allowance for doubtful debts	(26,779)	(5,287)
	10,552	19,333

The carrying amounts of balances due from subsidiaries approximate their fair values. These non-trade balances are unsecured, interest-free and repayable on demand.

15. DUE FROM ASSOCIATES AND DUE TO SUBSIDIARIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 March 2006 $'000	31 December 2004 $'000
Balance at beginning of period / year		
– At cost	1,645	1,645
– Effect of adoption of FRS 39 on 1 January 2005	2,685	–
As restated	4,330	1,645
Disposal	(4,330)	–
Additions	78,230	–
Balance at end of period / year	78,230	1,645

Investments in quoted shares as at 31 December 2004 have been designated and reclassified as 'financial assets at fair value through profit or loss' so as to conform to the presentation adopted in the current financial period. Financial assets at fair value through profit or loss are measured in accordance with the accounting policy as set out in Note 2 with effect from 1 January 2005.

The entire amount of financial assets at fair value through profit and loss are denominated in United States dollar.

17. TRADE PAYABLES

Trade payables denominated in various currencies are as follows:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Singapore dollars	689	2,375	221	353
Hong Kong dollars	578	641	–	16
Malaysian Ringgit	646	1,212	–	–
Others	55	27	–	8
	1,968	4,255	221	377

The carrying amounts of trade payables approximate their fair value.

18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Accrued operating expenses (1)	2,952	533	2,029	3,444
Deferred revenue	147	5,264	–	–
Course fees received in advance	–	450	–	–
Sundry payables (2)	8,982	7,705	900	281
	12,081	13,952	2,929	3,725

(1) Included in the Group's accrued operating expenses is an accrual of performance bonus payable to a director amounting to approximately $1.7 million (2004: $2.1 million) which is provided in accordance with the service agreement and has been approved by the Remuneration Committee.
(2) Included in Group's sundry payables are:
(a) an amount of approximately $5.0 million (2004: $6.1 million) representing consideration payable for the acquisition of a group of subsidiaries. This amount has been fully settled subsequent to year-end.
(b) amounts due to related parties of $710,000 (2004: $16,000). The related parties refer to a controlling shareholder and companies controlled by this shareholder. These amounts are non-trade, interest-free and have no fixed terms of repayment.

The carrying amounts of other payables and accruals approximate their fair value.

18. OTHER PAYABLES AND ACCRUALS (cont'd)

Other payables denominated in various currencies are as follows:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Singapore dollars	3,333	5,762	2,929	3,725
Hong Kong dollars	6,313	7,802	–	–
Malaysian Ringgit	132	–	–	–
Chinese Renminbi	2,303	388	–	–
	12,081	13,952	2,929	3,725

19. BANK TERM LOANS (CURRENT PORTION)

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Factoring loans (secured)	137	133	–	–
Bank term loans (unsecured)	1,500	1,500	1,500	1,500
Bank term loans	1,637	1,633	1,500	1,500

Secured factoring loans
The factoring loans relate to amounts that have been obtained from a finance company by a subsidiary company under a factoring facility. Interest is charged at 2.25% (2004: 2.25%) per annum above the prevailing Singapore Inter-Bank offer rate. These loans are secured by a corporate guarantee given by the Company and floating charge over trade receivables amounting to $137,482 (2004: $133,500).

Unsecured term loans
The unsecured bank loan of the Company of $1,500,000 (2004: $1,500,000) is repayable on demand and bears interest rates ranging from 3.42% to 5.44% (2004: 2.63% to 3.1%).

The carrying amounts of bank term loans approximate their fair value.

20. LEASE OBLIGATIONS

During the current financial period, the Group fully settled its lease obligations. The lease obligations bore interest ranging from 10.71% to 15.5% (2004: 10.71% to 15.5%) per annum.

Group	Minimum lease payment		Interest		Present value of payment	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Not later than 1 year	–	25	–	(3)	–	22
1 year through 5 years	–	24	–	(2)	–	22
	–	49	–	(5)	–	44

Lease terms did not contain restrictions concerning dividends, additional debt or further leasing.

21. LOAN FROM A SUBSIDIARY

This amount is unsecured, interest-free and is expected to be repaid within the next 12 months. The carrying amount of the loan approximates its fair value.

22. LOAN FROM A RELATED PARTY

This amount is unsecured, bears interest at 5.78% (2004: Nil%) per annum and is repayable on demand. At the election of the lender, the Company shall repay the loan either in cash on the repayment date or by the transfer of 400,000 Sun New Media Inc. shares or any listed shares held by the Company to the lender.

The carrying amount of the loan approximates its fair value.

23. BANK OVERDRAFTS

The bank overdrafts of a subsidiary are secured by corporate guarantee given by the Company and bears interest of 8.5% (2004: Nil%) per annum.

The bank overdrafts of Company are unsecured and bears interest of 5% (2004: Nil%) per annum.

24. REVENUE

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Advertisement	6,705	6,963
Circulation	2,029	2,605
Sale of contents rights and licensing fees	5,271	4,768
Exhibition and events	55	364
	14,060	14,700

25. OTHER INCOME

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Gain on disposal of subsidiaries	–	6,558
Gain on disposal of associates	–	1,403
Negative goodwill arising from acquisition of an associate	–	83,499
Gain on disposal of properties	127	–
Gain on disposal of financial assets at fair value through profit and loss	2,707	–
Sale of contents right and licensing fees	41,308	–
Others	964	738
	45,106	92,198

26. OTHER OPERATING EXPENSES, NET

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Bad trade debts written off	21	16
Bad trade debts recovered	(10)	(99)
Allowance for impairment of other receivables	1	737
Allowance for impairment of trade receivables	219	646
Property, plant and equipment written off	233	106
Gain on disposal of plant and equipment	(7)	(18)
Allowance for impairment on unquoted equity shares	–	300
Allowance for impairment on intangible assets	659	405
Allowance for impairment on goodwill	1,911	10,157
Allowance for impairment of associate	61,127	–
Intangible assets written off	–	94
Development costs written off	–	1,297
Other investments written off	–	114
Costs arising from aborted acquisition written off	–	190
Provision for profit guarantee (Note 35)	899	–
Professional fees	707	732
Office expenses	1,824	572
Others	3,956	2,084
	71,540	17,333

27. PERSONNEL EXPENSES

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Wages, salaries and bonuses	6,797	7,082
Pension contributions	519	343
Other staff costs	80	–
	7,396	7,425

28. (LOSS) PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Non-audit fees paid to auditors of the Company	–	232
Foreign exchange (gain) loss – net	(618)	340
Directors' remuneration	661	2,709
Directors' fees	197	194
Personnel expenses (Note 27) *	7,396	7,425

* This includes the amount shown as directors' remuneration.

Notes to the Financial Statements (cont'd)

29. FINANCIAL EXPENSES, NET

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Interest expenses on:		
Bank term loans	140	109
Bank overdrafts	42	33
Lease obligations	3	3
	185	145

30. TAXATION

Under the Group Relief System, implemented in Singapore with effect from the Year of Assessment 2004, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (made to approved charitable organisation) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

Major components of income tax expense for the financial period / year were:

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Continued operations		
Current taxation		
– current period / year	47	54
– over provision in prior year	–	(9)
Deferred taxation		
– current period / year	–	(170)
Discontinued operations		
Current taxation	–	115
Tax credit (expenses)	47	(10)

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate is as follows:

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
(Loss) Profit before taxation from:		
– Continuing operations	(29,937)	74,491
– Discontinued operations	263	(3,023)
Accounting (loss) profit	(29,674)	71,468
Tax at the applicable tax rate of 20%	(5,935)	14,294
Tax effect of income not taxable in determining taxable profits	(7,101)	(18,153)
Tax effect of expenses not deductible in determining taxable profits	13,083	2,357
Tax effect of benefits arising from deductible differences not recognised	–	1,501
Tax effect on over-provision in prior years	–	(9)
Tax expense	47	(10)

30. TAXATION (cont'd)

The movement in the deferred taxation is as follows:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Deferred taxation credited to equity				
Balance at beginning of period / year	861	1,031	858	898
Written back during the period / year	–	(170)	(263)	(40)
Paid during the period	(263)	–	–	–
Balance at end of period / year	598	861	595	858

Deferred taxation as at the end of financial period / year relates to the following:

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Deferred tax liability arises from general provisions in respect of the operation	598	861	595	858

The Group has deductible temporary differences, unused tax losses and unused capital allowances of approximately $28,989,000 (2004: $35,631,000) for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

31. NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Pursuant to a directors' resolution dated 15 June 2005, the Group had partially divested 61.8% of its equity interest in Auston International Group Ltd. together with its subsidiaries (the "AIGL Group") (comprising of the Group's education segment) to 21%. The Group further disposed of its remaining equity interest of 21% in AIGL Group. These disposals resulted in a gain of approximately $1.3 million.

An analysis of the results of discontinued operations is as follows:

	Group	
	Period from 1 January 2005 to 30 June 2005 $'000	Year ended 31 December 2004 $'000
Revenue	1,794	6,868
Other income	30	32
Expenses	(2,855)	(9,918)
Finance expenses	(10)	(5)
Loss before taxation from discontinued operations	(1,041)	(3,023)
Gain on sale of discontinued operations	1,304	–
Taxation	–	115
Net profit (loss) for the period / year from discontinued operations	263	(2,908)

31. NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (cont'd)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	Period from 1 January 2005 to 30 June 2005 $'000	Year ended 31 December 2004 $'000
Operating cash flows	(255)	(1,121)
Investing cash flows	(12)	(119)
Financial cash flows	–	–
Total cash flows	(267)	(1,240)

32. EARNINGS PER SHARE

The calculations of earnings per share (basic and diluted) are based on the profits and numbers of shares shown below:

	Group	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
(Loss) Profit attributable to shareholders of the Company		
– Continuing operations	(30,694)	74,766
– Discontinued operations	263	(2,575)
	No. of shares	
Weighted average number of shares		
– For basic/diluted earnings per share	748,170,306	456,305,892

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. There is no dilution of earnings per share from the share options outstanding as the exercise price of the share options are higher than the market price as at 31 March 2006. No adjustment is made to earnings (numerator).

33. CASH AND CASH EQUIVALENTS

	Group	
	31 March 2006 $'000	31 December 2004 $'000
Cash and bank balances	1,028	4,400
Bank overdrafts	(999)	(709)
Cash and cash equivalents	29	3,691

The carrying amounts of cash and cash equivalents approximate their fair value. The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 37.

Cash and cash equivalents denominated in various currencies are as follows:

	Group	
	31 March 2006 $'000	31 December 2004 $'000
Singapore dollars	(288)	2,856
Hong Kong dollars	255	494
Malaysian Ringgit	(233)	(208)
Chinese Renminbi	295	549
	29	3,691

34. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. The balances due from related parties are unsecured, interest-free and repayable on demand. Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related companies are disclosed below.

	Group		Company	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Income				
Gain on sale of contents rights to an associate	–	3,975	–	–
Gain on disposal of an associate to another associate	–	1,403	–	–
Gain on sale of contents rights to a former director of a subsidiary	–	752	–	–
Gain on disposal of properties to a related party	127	–	–	–
Gain on disposal of financial assets at fair value through profit or loss to a related party	2,707	–	–	–
Sale of contents rught and licensing fees	41,308	–	–	–
Management and service fees from related parties	91	224	91	224

Notes to the Financial Statements (cont'd)

34. RELATED PARTY INFORMATION (cont'd)

	Group		Company	
	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000	1 January 2005 to 31 March 2006 $'000	1 January 2004 to 31 December 2004 $'000
Expenses				
Cost of acquisition of subsidiaries from a former director of a subsidiary	–	4,536	–	–
Cost of acquisition of quoted investment from a former director of a subsidiary	–	1,645	–	–
Service fees charged from related parties	5	76	5	76
Payments to key management personnel	653	3,662	–	–

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Unsecured contingent liabilities not provided for in the financial statements				
(i) Profit guarantee given to Sky Win Advertising Group Ltd	1,400	2,100	1,400	2,100
(ii) Unlawful dismissal of an employee	–	43	–	–
	1,400	2,143	1,400	2,100

(i) On 31 December 2004, the Company disposed of its entire equity interest in Lifestyle Magazines Publishing Pte Ltd. ("LMP") to Sky Win Advertising Group Limited ("Sky Win") for a consideration of $6,300,000. Under the terms of the sales and purchase agreement, the Company warrants and guarantees to Sky Win that the profit after tax ("PAT") of LMP for 3 financial years from 1 January 2005 to 31 December 2007 shall not be less than $700,000 for each of the financial year (the "Target Profit"). In the event that the PAT is less than the Target Profit, the Company shall upon demand by Sky Win, pay the difference between the PAT in that particular financial period and Target Profit or the sum of the quantum of the loss and the Target Profit.

For the first financial year, LMP is in a loss making position from 1 January 2005 to 31 December 2005. Accordingly, the profit guarantee between the loss during the year and the Target Profit of approximately $899,000 has been provided for in the financial statements (Note 26). The directors are of the view that LMP will be able to meet the Target Profit for the financial years from 1 January 2006 to 31 December 2007. As such, no provision has been included in the financial statements.

(ii) A former employee of a subsidiary claimed against the subsidiary for an amount of approximately approximately $43,000 (RM100,000), being his yearly remuneration as a non-executive director of the subsidiary. The matter was however settled with no material costs to the subsidiary during the financial period.

35. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

(b) Non-cancellable operating lease commitments

The Group has various operating lease agreements for equipment, offices premises and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Future minimum lease payments				
– not later than 1 year	856	1,825	234	184
– 1 year through 5 years	880	1,047	265	–
	1,736	2,872	499	184

36. SEGMENT INFORMATION

(a) Business segments

The Group is organised on a regional basis into two main operating divisions, namely:
– Publishing, exhibition and events
– Headquarter ("HQ") costs and investment

For period ended 31 March 2006	Publishing, exhibition and events $'000	HQ costs and investments $'000	Total for continuing operations $'000	Discontinued operations $'000	Total $'000
Revenue	14,060	–	14,060	1,794	15,854
Other income	651	45,759	46,410	30	46,440
Operating profit (loss)	(13,515)	(16,220)	(29,735)	(1,031)	(30,766)
Financial expenses – net			(185)	(10)	(195)
Share of loss of associates			(17)	–	(17)
Taxation			47	–	47
Minority interest			(804)	–	(804)
Profit after taxation			(30,694)	(1,041)	(31,735)
Gain on sale of discontinued operations			–	1,304	1,304
(Loss) Profit for the period			(30,694)	263	(30,431)

Notes to the Financial Statements (cont'd)

36. SEGMENT INFORMATION (cont'd)

For period ended 31 March 2006	Publishing, exhibition and events $'000	HQ costs and investments $'000	Total for continuing operations $'000	Discontinued operations $'000	Total $'000
Assets					
Associates			28,715	–	28,715
Segment assets			113,191	–	113,191
Total assets			141,906	–	141,906
Liabilities					
Segment liabilities			(17,698)	–	(17,698)
Unallocated liabilities			(665)	–	(665)
Total liabilities			(18,363)	–	(18,363)
Other segment information					
Capital expenditure			748	10	758
Depreciation and amortisation			1,574	125	1,699
Allowance for impairment on intangible assets			659	–	659
Allowance for impairment on goodwill			1,911	–	1,911
Allowance for impairment of trade receivables			204	15	219

For year ended 31 December 2004					
Revenue	14,700	–	14,700	6,868	21,568
Other income	6,618	85,862	92,480	32	92,512
Operating profit (loss)	4,038	70,458	74,496	(3,018)	71,478
Financial expenses – net			(145)	(5)	(150)
Share of profit of associates			140	–	140
Taxation			(10)	115	105
Minority interest			285	333	618
Profit after taxation			74,766	(2,575)	72,191
Assets					
Associates			89,859	–	89,859
Segment assets			39,046	6,428	45,474
Total assets			128,905	6,428	135,333

36. SEGMENT INFORMATION (cont'd)

For year ended 31 December 2004	Publishing, exhibition and events $'000	HQ costs and investments $'000	Total for continuing operations $'000	Discontinued operations $'000	Total $'000
Liabilities					
Segment liabilities			(17,278)	(3,316)	(20,594)
Unallocated liabilities			–	–	(894)
Total liabilities			(17,278)	(3,316)	(21,488)
Other segment information					
Capital expenditure			(1,015)	(14)	(1,029)
Depreciation and amortisation			(493)	(290)	(783)
Allowance for impairment on long term investments			–	(300)	(300)
Allowance for impairment on intangible assets			(405)	–	(405)
Allowance for impairment on goodwill			(2,296)	(7,860)	(10,156)
Allowance for impairment of trade receivables			(172)	(474)	(646)

(b) Geographical segments

Revenue is based on the location of customers regardless of where the goods are produced. Assets and capital expenditure are based on the location of the entities.

	Revenue		Assets		Capital expenditure	
	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000	31 March 2006 $'000	31 December 2004 $'000
Greater China	9,579	1,541	20,851	19,689	652	959
South East Asia	6,275	20,027	92,340	25,785	106	70
	15,854	21,568	113,191	45,474	758	1,029

37. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies
The main risks arising from the Group's financial instruments are interest rate risk, fair value and cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. Although the Group does not have a formal risk management policies and guidelines, however, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is the Group's policy not to trade in derivative contracts.

Interest rate risk
The Group obtains additional financing through bank term loans and leasing arrangements. Information relating to the Group's interest rate exposure on the Group's bank term loans and leasing obligation are disclosed in Note 19 and 20 respectively.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 March 2006, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Fair value and cash flow interest rate risk
Fair value interest rate risk is the risk that value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Bank term loans of approximately $1.6 million (2004: $1.6 million) are arranged at floating interest rates and expose the Group to cash flow interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Foreign currency risk
The Group has a significant investment in the foreign subsidiaries whose net assets would be exposed to currency translation risk. Exposures to foreign currency risk are managed as far as possible by natural hedges of matching assets and liabilities.

The Group operates mainly in Asia and is exposed to various currency exposures, primarily with respect to the Chinese Renminbi, United States Dollars, Malaysia Ringgit and Hong Kong Dollars. Currency risk arises for future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Credit risk
The carrying amounts of cash and cash equivalents, trade and other receivables (including amount due from subsidiaries and associates) represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and cash equivalents are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The management mitigates the risk by extending credit only to creditworthy customers. Customers on credit terms are regularly monitored and therefore, management does not expect the Group to incur significant credit losses.

The Group has no significant concentrations of credit risk with any single customer.

Liquidity risk
The Group finances its operations by a combination of equity, bank loans, bank overdrafts and loans from related party and subsidiary. Additional financing is required for the other working capital needs.

38. SUBSEQUENT EVENTS

Subsequent to 31 March 2006, the directors approved inter-alia, the following:

(a) 9,809,524 ordinary shares was issued pursuant to the Equity Line of Credit Agreement with Cornell Capital Partners Offshore, LP. The conversions were undertaken at a floating conversion price of $0.075 and $0.07 per share on 25 April and 8 May 2006 respectively.

(b) On 15 May 2006, the Company entered into a placement agreement with UOB Kay Hian Private Limited ("Placement Agent") who will procure purchasers on a best endeavor basis for, an aggregate of up to 30,000,000 existing ordinary shares in the capital of the Company at $0.07 for each share.

At the same time, the Company has also entered into a subscription agreement with International Press Holding Pte Ltd ("Share Lender"), pursuant to which the Company will allot and issue to the Share Lender up to 30,000,000 new ordinary shares. The purpose of the arrangement is to expedite the placement of the Company's shares to the placees procured by the Placement Agent.

The subscription shares represent approximately 3.2% of the issued and paid up ordinary share capital of the Company. The net proceeds of the Placement amount to approximately $2.5 million and will be utilised primarily as working capital for the Company.

(c) An associate of the Group, Asia Network Technologies Limited ("ANT") had through its subsidiary, Asia Multimedia Technologies Limited ("AMMT"), successfully completed the sale of the rights of use of the fibre optic network in perpetuity to Sun TV Shop Limited ("STVS"). The consideration for the sale of the network rights is to be satisfied by STVS shares which are scheduled for admission to AIM London Stock Exchange on 6 July 2006. The Group will receive 49,068,758 shares of STVS at an admission price of 20p each, amounting to GBP 9.8 million (approximately $28.71 million).

39. COMPARATIVES

Prior year comparatives have been audited by another firm of certified public accountants.

During the current period, the Company changed its financial year end from 31 December to 31 March to be coterminous with that of a related party. The current period financial statements are presented for the 15-month period from 1 January 2005 to 31 March 2006. The comparative financial statements are presented for the 12-month period from 1 January 2004 to 31 December 2004.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements and following the Group and Company's adoption of the new and revised FRS that became effective during the period. As a result, certain line items have been amended on the face of the balance sheets and the related notes to the financial statements.

In addition, the following comparative figures have been adjusted to conform with the current year's presentation.

	Company	
	31 December 2004 balances as restated $'000	**31 December 2004 balances as previously reported $'000**
Balance Sheet		
Trade receivables	–	461
Due from subsidiaries (trade)	461	–

During the financial period ended 31 March 2006, the Group fully disposed of its education segment, prior year's results for discontinued operations was re-presented to enhance comparability with the current year's financial statements, as disclosed in Note 31.

SHAREHOLDINGS STATISTICS

Twenty Largest Shareholders As At 26 June 2006

S/N	Name of shareholder	No. of Shares	% of Shares
1	Sun New Media Inc	150,000,000	16.00
2	Sun Media Investment Holdings Limited	105,700,000	11.27
3	International Press Holdings Pte Ltd	46,962,588	5.01
4	SEEC Media Group Limited	31,772,575	3.39
5	SBS Nominees Pte Ltd	28,320,000	3.02
6	Kim Eng Securities Pte Ltd	24,032,000	2.56
7	Ahmed Aka Aldhaheri S.O H E Ali K A Aldhaheri	21,000,000	2.24
8	OCBC Securities Private Ltd	20,302,000	2.16
9	United Overseas Bank Nominees Pte Ltd	18,736,000	2.00
10	UOB Kay Hian Pte Ltd	18,105,000	1.93
11	DBS Nominees Pte Ltd	14,514,042	1.55
12	Raffles Nominees Pte Ltd	14,284,000	1.52
13	Mayban Nominees (Singapore) Pte Ltd	13,992,000	1.49
14	DBS Vickers Securities (S) Pte Ltd	11,885,000	1.27
15	Toorak Group Limited	11,705,685	1.25
16	Chua Siiow Leng	10,716,000	1.14
17	OCBC Nominees Singapore Pte Ltd	9,216,250	0.98
18	Cheong Poh Kin	7,811,764	0.83
19	Fontana Investments Pte Ltd	7,697,294	0.82
20	Lim Aik Khoon	6,683,000	0.71
	Total:	**573,435,198**	**61.14**

Distribution Of Shareholders By Size Of Shareholdings As At 26 June 2006

Size Of Shareholdings	No. Of Shareholders	%	No. of Shares
1 – 999	14	0.27	5,695
1,000 – 10,000	2,155	41.98	10,249,461
10,001 – 1,000,000	2,907	56.62	280,451,466
1,000,001 – and above	58	1.13	647,031,666
Grand Total	**5,134**	**100.00**	**937,738,288**

Substantial Shareholders As At 26 June 2006

	Direct Interest		Deemed Interest	
Name	**No. Of Shares**	**%**	**No. Of Shares**	**%**
Low Song Take	6,117,647	0.65	46,962,588	5.01
Bruno Zheng Wu	–	–	255,700,000	27.27
Ricky Ang Gee Hing	10,513,235	1.12	28,197,294	3.01
Kevin Low Ka Choon	2,600,000	0.28	46,962,588	5.01
Yang Lan	–	–	255,700,000	27.27
International Press Holdings Pte Ltd	46,962,588	5.01	–	–
Sun Media Investment Holdings Limited	105,700,000	11.27	150,000,000	16.00
Fontana Investments Pte Ltd	28,197,294	3.01	–	–
Sun New Media Inc	150,000,000	16.00	–	–

Rule 723 of the SGX-ST Listing Manual

As at 26 June 2006, there were 587,647,524 shares in the hands of the public as defined in the SGX-ST Listing Manual representing approximately 62.7% of the issued share capital of the Company. The Company confirms that Rule 723 is complied with.

Note:

1. The Directors of International Press Holdings Pte Ltd ("IPH") are Messrs Low Song Take and Woo Woo Khai Chong. The Shareholders of IPH are Chee Chun Holdings Pte Ltd and ("Chee Chun") (50.0%) and Ze Hua Holdings Pte Ltd ("Ze Hua") (50.0%)

   The Directors of Chee Chun are Messrs Woo Khai Chong and Woo Khai San. The Shareholders of Chee Chun are Mr Woo Khai Chong (50.01%) and Mr Woo Khai San (49.99%). Both Mr Woo Khai Chong and Mr Woo Khai San have an indirect interest in the Company through their shareholdings in Chee Chun.

   The Directors of Ze Hua are Mr Low Song Take and his wife, Mdm Leong Shook Wah. The Shareholders of Ze Hua are Mr Low Song Take (10.0%), his wife, Mdm Leong Shook Wah (10.0%), and his children, Low Li Sze (20.0%), Kevin Low Ka Choon (20.0%), Low Ka Hoe (20.0%) and Low Ka Wei (20.0%). Mr Low Song Take, Mdm Leong Shook Wah, Low Li Sze, Kevin Low Ka Choon, Low Ka Hoe and Low Ka Wei have an indirect interest in the Company through their shareholdings in Ze Hua.

   Pursuant to a Placement Agreement entered into between the Company and UOB Kay Hian Private Limited and a Subscription Agreement between the Company and IPH, the Company has borrowed 30 million shares from IPH to expedite delivery of the Company's shares to the Placees and the Company will allot and issue 30 million new shares to IPH pending receipt of in-principle approval of the Singapore Exchange Securities Trading Limited.

2. The directors of Sun Media Investment Holdings Limited ("SMIH") are Messrs Bruno Zheng Wu, Yang Lan, John Zongyang Li, Ding Yucheng, Hang Zhihou, Chen Xiaotao and Hu Yushi. The shareholders of SMIH are Messrs Yang Lan (72 per cent.), Ding Yucheng (10 per cent.), John Zongyang Li (10 per cent.), Hu Yushi (5 per cent.) and Chen Xiaotao (3 per cent.). Dr Bruno Zheng Wu and Ms Yang Lan have an indirect interest in the Company through their shareholdings in SMIH.

3. The Directors of Fontana Investments Pte Ltd ("Fontana") are Mr Ricky Ang Gee Hing, his wife, Mdm Melinda See Ming Foong, and his daughters, Audrey Ang Hui Ling and Alison Ang Wern Ling. The Shareholders of Fontana are Mr Ricky Ang Gee Hing (50.0%), and his wife, Mdm Melinda See Ming Foong (50.0%). Mr Ricky Ang Gee Hing and Mdm Melinda See Ming Foong have an indirect interest in the Company through their shareholdings in Fontana.

4. The directors of Sun New Media Inc are Messrs Bruno Zheng Wu, Ricky Ang Gee Hing, Kay Koplovitz, Mark Newburg, Yu Bing, William Adamopoulos, Herbert Kloiber and Yang Qi. SMIH holds 23.9% of the issued and paid-up capital of SNM. SMIH has an indirect interest in the Company through their shareholdings in SNM and Messrs Bruno Zheng Wu and Yang Lan have an indirect interest in the Company through their shareholdings in SMIH.

SUN BUSINESS NETWORK LTD

(Company Registration No. 199407135Z)
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Sun Business Network Ltd. will be held at 371 Beach Road #03-18, Keypoint, Singapore 199597 on Saturday, 29 July 2006 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts of the Company for the financial period ended 31 March 2006 together with the Directors' Report and Auditors' Report thereon. [Resolution 1]
2. To approve Directors' fees of S$197,000 for the financial year ended 31 March 2006. [Resolution 2]
3. To re-elect Mr Jeffrey Tan Boon Khiong who is retiring under Article 107 of the Articles of Association. [Resolution 3]
4. To re-elect Mr Vincent Cyril Demitrius Pereira who is retiring under Article 107 of the Articles of Association. [Resolution 4]
5. To re-elect Mr Kevin Low Ka Choon who is retiring under Article 107 of the Articles of Association. [Resolution 5]
6. To note and accept Mr Chauncey Shey's retirement pursuant to Article 117 of the Articles of Association. [Resolution 6]
7. To re-appoint Messrs First Trust Partnership, Certified Public Accountants, as auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 7]
8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

9. **Sun Business Network Share Option Scheme**

   THAT approval be and is hereby given to the Directors to offer and grant options under the Sun Business Network Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the total issued share capital of the Company from time to time. [Resolution 8]

10. **Authority to Directors to Issue and Allot Shares**

    THAT the Directors be and are hereby authorised pursuant to the provisions of Section 161 of the Companies Act, Cap. 50 (the "Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited to allot and issue shares and convertible securities of the Company on such terms and conditions and with such rights or restrictions as they may deem fit PROVIDED ALWAYS THAT the aggre gate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty percent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purposes of this resolution, the percentage of issued share capital shall be based on the Company's issued share capital at the time of the passing of this resolution after adjusting for:

    (a) new shares arising from the conversion or exercise of convertible securities or from exercising employee share options outstanding or subsisting at the time of the passing of this resolution; and

    (b) any subsequent consolidation or subdivision of shares. [Resolution 9]

11. **Shares Buy Back Mandate**

    THAT:

    (a) the Board of Directors ("Directors") of the Company be and are hereby authorised to purchase or otherwise acquire from time to time issued ordinary shares in the capital of the Company ("Shares"), up to a maximum of 10% of the issued ordinary share capital of the Company as at the date of the passing of this resolution at any price which the Directors may determined at their discretion, up to but not exceeding the Maximum Price (as defined below), and such purchases and acquisitions of the Shares may be effected by way of:
    (i) an on-market share acquisition ("On-Market Purchase") transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
    (ii) an off-market share acquisition ("Off-Market Purchase") pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Companies Amendment Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST (the "Shares Buy Back Mandate").

    (b) the Shares Buy Back Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier; and

    (c) in this resolution, "Maximum Price" in relation to a Share to be purchased or acquired, shall mean: (i) in the case of On-Market Purchases, the price per Share (excluding brokerage fees, stamp duties payable, applicable goods and services tax and other related expenses) based on not more than five (5) percent above the average closing prices of the Shares on the SGX-ST on each of the 5 consecutive trading days on which transactions in the Shares were recorded immediately preceding the date of market purchase by the Company and deemed to be adjusted for any corporate actions occurring after the relevant 5-day period; and (ii) in the case of Off-Market Purchases, the price per Share (excluding brokerage fees, stamp duties payable, applicable goods and services tax and other related expenses) based on not more than five (5) percent above the average closing prices of the Shares on the SGX-ST on each of the 5 consecutive trading days on which transactions in the Shares were recorded immediately preceding the date that the Company makes an announcement of an offer under an equal access scheme. [Resolution 10]

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY
SINGAPORE, 14 July 2006

Notes:

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.
A proxy need not be a member of the Company.
The instrument appointing a proxy must be deposited at the Company's registered office at 50 Raffles Place #29-00, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the Meeting.

(ii) If re-elected under Resolution 3, Mr Jeffrey Tan Boon Khiong will remain as an Independent Director the Company.

(iii) If re-elected under Resolution 4, Mr Vincent Cyril Demitrius Pereira will remain as an Independent Director of the Company.

(iv) If re-elected under Resolution 5, Mr Kevin Low Ka Choon will remain as Non-Executive Director of the Company.

(v) Resolution 8 above, if passed, will empower the Directors to issue shares pursuant to the Sun Business Network Ltd. Share Option Scheme (the "Scheme"), of up to an amount not exceeding in total of fifteen percent (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(vi) Resolution 9 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

(vii) Resolution 10 above, if passed, will give the Directors of the Company the flexibility to purchase or acquire its Shares, if and when circumstances permit, with a view to enhancing the earnings per Ordinary Share and/or the net asset value per Ordinary Share of the Company. The Directors believe that share purchases also provide the Company and its Directors with an alternative to facilitate the return of surplus cash over and above its ordinary capital requirements and exercise greater control over the Company's share capital structure. The Directors further believe that Share purchases may bolster confidence of Ordinary Shareholders. With the Share Buy Back Mandate, the Directors will have the ability to make On-Market Share purchases and/or Off-Market Share purchases in accordance with all conditions prescribed by the Companies Act and the Companies Amendment Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST (the "Shares Buy Back Mandate"), where appropriate, to stabilize the demand for the Shares and to buffer against short-term share price volatility due to market speculation. Purchases of Shares by the Company will be made only in circumstances where it is considered to be in the best interests of the Company. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate may not be carried out to the full limit as authorized. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and its subsidiaries as a whole.

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SUN BUSINESS NETWORK LTD
(Company Registration No. 199407135Z)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT:
1. For investors who have used their CPF monies to buy the Company's ordinary shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intends and purposes if used or purported to be used by them.

3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent Banks may register with the Company Secretary of Sun Business Network Ltd.

I/We ____

of ____

being a member/members of the above-mentioned Company, hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

And/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 371 Beach Road #03-18, Keypoint, Singapore 199597 on Friday, 28 July 2006 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To adopt the Audited Accounts, Directors' Report and Auditors' Report		
2.	To approve the payment of Directors' Fees		
3.	To re-elect Mr Jeffrey Tan Boon Khiong as a Director under Article 107		
4.	To re-elect Mr Vincent C D Pereira as a Director under Article 107		
5.	To re-elect Mr Kevin Low Ka Choon as a Director under Article 107		
6.	To note and accept Mr Chauncey Shey's retirement pursuant to Article 117		
7.	To re-appoint Auditors and authorise Directors to fix their remuneration		
	Special Business		
8.	To authorize Directors to allot and issue shares in connection with the exercise of options granted pursuant to Sun Business Network Share Option Scheme		
9.	To authorize Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited		
10.	To authorize the Directors to purchase its own shares up to a maximum of 10% of the issued share capital of the Company		

Dated this ____________ day of ____________ 2006

____
Signature(s) of member(s) or Common Seal

No. of Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF

Please glue and seal along the edge

Please glue and seal along the edge

Please
Affix 23 Cents
Postage Stamp
Here

The Company Secretary
Sun Business Network Ltd.
50 Raffles Place
#29-00 Singapore Land Tower
Singapore 048623

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SUN BUSINESS NETWORK LTD.
Notes to the Proxy Form

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

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2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead.

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 50 Raffles Place #29-00 Singapore Land Tower, Singapore 048623 at least 48 hours before the time appointed for the Annual General Meeting.

6. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 50 Raffles Place #29-00 Singapore Land Tower, Singapore 048623 at least 48 hours before the time appointed for the Annual General Meeting.

7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.