

SUN BUSINESS NETWORK LTD.



Half-Year Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group		% Increase/ (Decrease)
		S\$'000		
		6 mths ended		
		30/09/2006	30/06/2005*	
Revenue				
Publishing		3,017	8,520	(64.6)
Exhibition and events		64	54	18.5
		<u>3,081</u>	<u>8,574</u>	(64.1)
Other income	(i)	147	2,247	(93.5)
Cost and expenses				
Direct costs				
- Publishing		(2,118)	(2,513)	(15.7)
- Exhibition and events		(21)	(56)	(62.5)
Personnel expenses		(2,194)	(3,641)	(39.7)
Amortisation & depreciation		(476)	(745)	(36.1)
Operating lease expenses		(410)	(545)	(24.8)
Loss in financial assets at fair value through profit and loss		(22,521)	-	NM
Other operating expenses	(ii)	<u>(10,389)</u>	<u>(1,779)</u>	484.0
Total cost and expenses		<u>(38,129)</u>	<u>(9,279)</u>	NM
Share of losses of associates		-	(17)	NM
Finance costs		(48)	(55)	(12.7)
(Loss)/ profit before taxation		(34,949)	1,470	NM
Taxation		(33)	-	NM
Net (loss)/ profit from continuing operations		(34,982)	1,470	
Discontinued operations:				
Net profit from discontinued operations	(iii)	-	668	NM
Total (loss)/ profit after taxation		(34,982)	2,138	
(Loss)/ profit attributable to:				
- Shareholders of the company		(34,975)	1,527	NM
- Minority interests		(7)	611	NM

NM - Not meaningful

* The Company changed its financial year-end from 31 December to 31 March on 28 December 2005.

Notes to income statements:

	<u>Group</u>		%
	S\$'000		
	6 mths ended		Increase/ Decrease
	30/09/2006	30/06/2005	
(i) Included in other income are:			
Gain on financial assets at fair value through profit and loss	-	982	NM
Unrealized exchange gain	-	647	NM
(ii) Included in other operating expenses are:			
Allowance for doubtful trade debts	1,219	-	NM
Allowance for impairment of intangible assets	16	29	(44.8)
Property, plant and equipment written off	129	28	432.1
Allowance for impairment of goodwill	4,353	2	2,175.5
Loss on disposal of financial assets at fair value through profit or loss	1,800	-	NM
Unrealized exchange losses	1,247	-	NM
(iii) Discontinued operations:			
Revenue	-	1,794	NM
Other income	-	30	NM
Operating expenses	-	(2,865)	NM
Loss before tax from discontinued operations	-	(1,041)	NM
Gain on sale of discontinued operations	-	1,709	NM
Net profit for the period from discontinued operations	-	668	

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/09/2006 \$'000	31/03/2006 \$'000	30/09/2006 \$'000	31/03/2006 \$'000
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Share capital	91,082	88,336	91,082	88,336
(Accumulated losses)/ revenue reserves	(2,191)	32,784	(49,691)	(48,833)
Foreign currency translation reserves	2,050	1,539	-	-
	90,941	122,659	41,391	39,503
Minority Interests	877	884	-	-
TOTAL EQUITY	91,818	123,543	41,391	39,503
Property, plant and equipment	1,009	1,320	44	55
Intangible assets	10,645	11,423	-	-
Goodwill	102	4,456	-	-
Subsidiaries	-	-	27,106	27,106
Associates	28,715	28,715	8,000	8,000
Current assets				
Work-in-progress, at cost	145	146	-	-
Trade receivables	5,514	6,738	-	-
Other receivables, deposits and prepayments	2,094	9,843	874	6,272
Due from subsidiaries (trade)	-	-	332	332
Due from subsidiaries (non-trade)	-	-	14,940	10,552
Due from associates (non-trade)	7	7	7	7
Due from related parties (non-trade)	-	-	652	-
Financial assets at fair value through profit or loss	51,456	78,230	-	-
Cash and bank balances	586	1,028	61	155
	59,802	95,992	16,866	17,318
TOTAL ASSETS	100,273	141,906	52,016	52,479
Current liabilities				
Trade payables	1,962	1,968	499	221
Other payables and accruals	3,726	12,081	1,098	2,929
Due to subsidiaries (non-trade)	-	-	5,560	4,749
Due to related parties (non-trade)	132	-	-	-
Bank term loan, current portion	1,568	1,637	1,500	1,500
Lease obligations, current portion	10	-	-	-
Loan from a subsidiary	-	-	1,271	1,271
Loan from a related party	-	1,013	-	1,013
Provision for taxation	81	67	-	-
Bank overdrafts (unsecured)	512	999	252	698
	7,991	17,765	10,180	12,381
Non-current liabilities				
Lease obligations (non-current portion)	16	-	-	-
Deferred taxation	448	598	445	595
	464	598	445	595
TOTAL LIABILITIES	8,455	18,363	10,625	12,976
NET ASSETS	91,818	123,543	41,391	39,503

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/09/2006		As at 31/03/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
68	1,510	138	2,513

Amount repayable after one year

As at 30/09/2006		As at 31/03/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	16	-	-

Details of any collateral

Trade receivables amounting to about \$68,000 (31/03/2006: \$138,000) of a subsidiary have been pledged as security to a finance company to secure factoring loan.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	For the 6 months ended	
	30/09/2006 \$'000	30/06/2005 \$'000
Cash flows from operating activities		
(Loss)/ profit before taxation and minority interest		
Continuing operations	(34,949)	1,470
Discontinued operations	-	668
	<u>(34,949)</u>	<u>2,138</u>
Adjustments for:		
Amortisation of intangible assets	268	292
Share of losses of associates	-	17
Depreciation of property, plant and equipment	208	578
Loss on disposal of financial assets at fair value through profit and loss	1,800	-
Gain on partial disposal of investment in a subsidiary	-	(1,709)
Allowance for doubtful trade debts	1,219	-
Allowance for impairment of goodwill	4,353	2
Allowance for impairment of intangible assets	16	29
Loss/ (gain) on financial assets at fair value through profit or loss	22,521	(982)
Property, plant and equipment written off	129	28
Interest expense	48	65
Operating cashflow before working capital changes	(4,387)	458
(Increase)/ decrease in:		
Work-in-progress	-	(20)
Trade and other receivables	7,754	(6,101)
Trade and other payables	(6,787)	(1,266)
Cash used in operations	(3,420)	(6,929)
Interest paid	(48)	(65)
Income taxes paid	(165)	(96)
Net cash used in operating activities	(3,633)	(7,090)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(42)	(917)
Proceeds from sale of property, plant and equipment	2	-
Increase in investment in subsidiaries	-	(791)
Proceeds from partial disposal of investment in a subsidiary, net of cash disposed	-	1,814
Net cash (used in)/ from investing activities	(40)	106
Cash flows from financing activities		
Proceeds from issue of new shares	2,100	1,700
Payment of expenses on issuance of new shares	(54)	-
Proceeds from issue of shares arising from equity line of credit/ unsecured convertible notes	700	3,000
Proceeds/ (repayment) of lease obligations	25	(10)
(Repayment)/ proceeds from short-term loans	(69)	73
Net cash from financing activities	2,702	4,763
Net effect of exchange rate changes in consolidating subsidiaries	1,016	(716)
Net increase in cash and cash equivalents	45	(2,937)
Cash and cash equivalents at beginning of the financial period	29	3,691
Cash and cash equivalents at end of the financial period	74	754

	As at	
	30/09/2006 \$'000	30/06/2005 \$'000
Cash and cash equivalents comprise		
Cash and bank balances	586	1,745
Bank overdrafts (unsecured)	(512)	(991)
	<u>74</u>	<u>754</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company					
	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserves/ (Accumula- ted Losses) S\$'000	Foreign Currency Translation Reserve S\$'000	Minority Interests S\$'000	Total S\$'000
The Group						
<u>For the period ended 30/09/2006</u>						
Balance at 01/04/2006	88,336	-	32,784	1,539	884	123,543
Issuance of shares	2,800	-	-	-	-	2,800
Expenses on issue of new shares	(54)	-	-	-	-	(54)
Loss for the financial period	-	-	(34,975)	-	(7)	(34,982)
Movement during the financial period	-	-	-	511	-	511
Balance at 30/9/2006	91,082	-	(2,191)	2,050	877	91,818
<u>For the period ended 30/06/2005</u>						
Balance at 01/01/2005	31,903	16,723	63,215	1,637	367	113,845
Issuance of shares	3,777	923	-	-	-	4,700
Profit for the financial period	-	-	1,527	-	611	2,138
Acquisition of subsidiary	-	-	-	-	(287)	(287)
Movement during the financial period	-	-	-	(160)	-	(160)
Balance at 30/06/2005	35,680	17,646	64,742	1,477	691	120,236
The Company						
<u>For the period ended 30/09/2006</u>						
Balance at 01/04/2006	88,336	-	(48,833)	-	-	39,503
Issuance of shares	2,800	-	-	-	-	2,800
Expenses on issue of new shares	(54)	-	-	-	-	(54)
Loss for the financial period	-	-	(858)	-	-	(858)
Balance at 30/09/2006	91,082	-	(49,691)	-	-	41,391
<u>For the period ended 30/06/2005</u>						
Balance at 01/01/2005	31,903	16,723	(14,806)	-	-	33,820
Issuance of shares	3,777	923	-	-	-	4,700
Loss for the financial period	-	-	(560)	-	-	(560)
Balance at 30/06/2005	35,680	17,646	(15,366)	-	-	37,960

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the period, the Company issued 9,809,524 ordinary shares pursuant to the Equity Line of Credit Agreement dated 2 June 2005 with Cornell Capital Partners LLC with regard to advances amounting to \$700,000. Please refer to announcements dated 5 and 18 May 2006 for details.

In addition, the Company issued 30,000,000 ordinary shares pursuant to a Subscription Agreement. Please refer to announcement dated 15 May 2006 for details.

As at 30 September 2006, total the share capital of the Company was about \$91.08 million comprising 977,547,812 shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures are unaudited and are not reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There were new Financial Reporting Standards ("FRS") that were published and mandatory for accounting periods beginning on or after 1 January 2006. The adoption of these FRS, where applicable, did not have any material impact on the financial statements for HY 2007. Apart from these, the same accounting policies and methods of computation have been consistently applied.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to point 4 above.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	30/09/2006	30/06/2005
Continuing operations		
(Loss)/ earnings per share based on Group's (loss)/ profit after taxation		
- on weighted average number of shares	(3.65) cents	0.12 cents
- on a fully diluted basis	(3.65) cents	0.12 cents

	30/09/2006	30/06/2005
Discontinued operations		
Earnings per share based on Group's profit after taxation		
- on weighted average number of shares	-	0.09 cents
- on a fully diluted basis	-	0.09 cents

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30/09/2006	31/03/2006	30/09/2006	31/03/2006
Net asset value based on existing issued share capital as at the respective period	9.39 cents	13.17 cents	4.23 cents	4.21 cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

General Overview

For the period under review, the Group continued to rationalize its operations and also terminated its *Observer Star* operations in Hong Kong. The loss from *Observer Star* for the period under review was about \$1 million.

Revenue

Revenue for the 6 months ended 30 September 2006 was lower as compared to the 6 month period ended 30 June 2006. The reason for the drop in revenue was due to the cessation of our operations in Hong Kong. Revenue dropped by 64.6% to \$3.08 million as compared to \$8.57 million in the previous 6-month period.

(Loss)/ profit attributable to shareholders

The Group incurred a loss of \$34.98 million for the 6 months ended 30 September 2006 as compared to a profit of \$1.53 million for the 6 months ended 30 June 2005 due to the following:

- Losses arising from changes in fair value of financial assets amounting to about \$22.5 million, i.e., the value of our shareholdings in Sun New Media, Inc;
- Allowance for impairment of intangible assets and goodwill of \$4.4 million;
- Loss on disposal of financial assets at fair value through profit or loss of \$1.8 million;
- Unrealized exchange loss arising from the revaluation of balances of \$1.3 million;
- Allowance of doubtful trade debts of \$1.1 million; and
- A gain of \$1.7 million arising from the divestment of the Group's investment in Auston International Group Ltd in the prior corresponding period.

Excluding the above non-cash portion of \$31.1 million, the operating loss of the Group would have been \$3.88 million. This was mainly attributed to our Greater China operations.

Operating expenses excluding the allowance for impairment and other non-recurring expenses decreased by 25.8% mainly due to the Group's continuing efforts to reduce costs.

Balance sheet

During the period, the Group's Net Asset Value decreased by 25.7% to about \$91.8 million as compared to \$123.5 million at the beginning of the period, and NAV per share decreased by 28.7% to 9.39 cents from 13.17 cents previously.

The decrease in other receivables, deposits and prepayments is mainly due to the receipt of consideration for the disposal of a subsidiary amounting to \$5.2 million.

Amounts due from/ (to) related parties represents advances from/ (to) related parties.

The decrease in other payables and accruals is mainly due to the payment of consideration for the acquisition of a group of subsidiaries amounting to \$5.0 million and the payment of performance bonus to a director amounting to \$1.5 million of which about \$1.4 million was paid in the form of financial assets held by the Group.

Cash-flow

Cash and cash equivalents as at end of period was \$74,000 as compared to \$29,000 at the beginning of the period.

The Company had entered into a \$10 million Equity Line of Credit Agreement with Cornell in June 2005 and has utilized \$4.5 million as at end of the period and \$5.0 million as at the date of this announcement.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

NA.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Our Greater China operations is expected to show a loss in the second half of current financial year. In order to stem the losses and improve our performance, we are currently re-evaluating our businesses in Greater China and actively engaged in discussion with various parties including affiliates with the view to divest some of our investments in Greater China.

Additionally, we are looking at broadening our portfolio beyond the print media using proceeds that will be realized from the sale of our financial assets.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended during and for the six months ended 30 September 2006.

13. Negative assurance

We, Bruno Zheng Wu and Ricky Ang Gee Hing, being two directors of Sun Business Network Ltd. (the "Company") do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the six months ended 30 September 2006 to be false or misleading.

For and on behalf of the Board

(signed)
Bruno Zheng Wu
Executive Chairman

(signed)
Ricky Ang Gee Hing
Vice-Chairman and Managing Director

BY ORDER OF THE BOARD

**Bruno Zheng Wu
Executive Chairman
14 November 2006**