

## Chairman's Statement



On behalf of the Board of Directors, I hereby present to the shareholders the annual report of The Sun's Group Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31st December, 2001.

### RESULTS

For the year ended 31st December, 2001, the Group's turnover was approximately HK\$475 million (2000: HK\$328 million), representing an increase of approximately 45% from the last financial year. The consolidated loss attributable to shareholders amounted to approximately HK\$670 million as compared to a loss of approximately HK\$1,162 million for the last financial year. The Directors do not recommend the payment of final dividend.

### BUSINESS REVIEW

The general business environment of the Hong Kong economy remained weak throughout 2001. Despite the repeated interest rate reduction, the property market sentiment remained weak and property investors and developers seemed lack of confidence. 2001 was therefore a difficult year for the Group especially on the internet and telecommunication sectors. Under this difficult economic environment, the imminent strategy of the Group is to reduce debts and cut expenditure as well as to streamline its businesses. During the year, the Group suspended all internet portal operations in the PRC and the trunk radio business

*Chairman's Statement (Cont'd)*

in Hong Kong. The Group has also sold its investment in HKStock Limited and StockOnline Corporation Limited in order to further scale down investment in the field of telecommunication and internet businesses and to optimize the benefits gained from the sluggish market.

## Change of Major Shareholder

On 13th December, 2001, China Wanan Group Limited ("CWG") entered into a sale and purchase agreement with Charcon Assets Limited, which is beneficially owned by Mr. Wong Kwan, pursuant to which CWG acquired 4,012,000,000 shares of the Company, representing approximately 29.9% of the total issued share capital of the Company. The agreement was completed on 29th January, 2002 and CWG became the substantial shareholder and the single largest shareholder of the Company.

## Change of name and Capital reorganisation

In order to give the Company's flexibility in pricing any new issue of shares and to facilitate any capital raising exercise or asset acquisition by way of allotment or placement of shares when opportunities arise, the Board proposed a capital reorganisation in March 2002 which involved capital reduction, share premium reduction and cancellation of accumulated deficit. The capital reorganisation became effective on 8th May, 2002. With a view to better identifying the change in the management and substantial shareholder of the Company, the Board also proposed the change of Company's name to "The Sun's Group Limited". The Change of name has become effective on 7th May, 2002.

## PROSPECTS

Looking forward to the year of 2002, the Group will continue streamlining its businesses and cutting expenses. As the local economy shows signs of recovery following the US and Asian economic slowdown and market confidence recovers, the commercial and residential sectors have showed signs of improvement, both in terms of sales and rental. The Board believes that the Hong Kong property market will show further improvement in the forthcoming years. The construction

*Chairman's Statement (Cont'd)*

works of the Group's hotel project in Western District recommenced in April 2002 and is expected to commence business in late 2002. With the increase in number of visitors from mainland China, the expected return from the hotel business is favourable. The Skyhigh also recommenced works in February 2002 and is expected to be completed in early 2004.

The Group will undergo different restructuring measures in various forefronts in 2002. The Group will also actively seek for other investment opportunities upon the existing business platform which can generate good return to the Group in order to re-engine and re-fuel the Group back into a healthy and profitable position in the coming future.

**ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like to express our sincere gratitude to all resigning directors who have made great contribution to the Group in the past years and wish them every success in their future pursuits. I would also like to express our sincere appreciation to the management and all our staff for their efforts and contribution during the year and to our business partners and our bankers for their continued support to the Company.

Taking this opportunity, I would like to extend my warmest welcome to all new members of the Board and hoping that, after passing of the Group's most difficult period, we can increase the value of the Company with all our efforts and generate a better return to the shareholders in the near future.

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*Chairman*

Hong Kong, 17th May, 2002