

interim report 2002



SUN'S 新銀集團有限公司
THE SUN'S GROUP LIMITED
(Company incorporated in Bermuda with limited liability)

CONTENTS

CORPORATE PROFILE	1
HALF-YEAR HIGHLIGHTS	1
HALF-YEAR MILESTONES	1
PROFIT FOR THE FIRST HALF YEAR	2
PROSPECTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	2
• BUSINESS REVIEW	
– PROPERTY AND PROJECT MANAGEMENT	
– PROPERTY RENTAL	
– DISCONTINUING OPERATIONS	
• FINANCIAL REVIEW	3
– LIQUIDITY AND FINANCING	
– TREASURY POLICIES	
– CAPITAL STRUCTURE	
– CHARGES ON ASSETS	
– CONTINGENT LIABILITIES	
• EMPLOYEES	4
REVIEW STATEMENT BY THE AUDIT COMMITTEE	4
COMPLIANCE WITH CODE OF BEST PRACTICE	4
INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	4
PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES	5
CONSOLIDATED BALANCE SHEET	6
CONSOLIDATED INCOME STATEMENT	7
CONSOLIDATED CASH FLOW STATEMENT	8
STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9
CORPORATE INFORMATION	12

CORPORATE PROFILE

The Sun's Group Limited (formerly known as "Pearl Oriental Holdings Limited") (the "Company") is an investment holding company with subsidiaries (collectively the "Group") operating primarily in the Hong Kong Special Administration Region. The Group's principal businesses are property trading and development, hotel investment and management. The Company's shares are also available for the investors in the United States through American Depositary Receipts ("ADR").

HALF-YEAR HIGHLIGHTS

	(Unaudited)	
	Six-month period ended	
	30th June	
	2002	2001
	HK\$'000	(Restated)
		<i>HK\$'000</i>
Turnover	<u>12,837</u>	<u>132,903</u>
Profit/(Loss) attributable to shareholders	<u>34,099</u>	<u>(243,512)</u>
Earnings/(Loss) per share	<u>0.25 cents</u>	<u>(1.81 cents)</u>

- Re-establish our position in the property sector with consolidated property portfolios for sale and investment.
- Complete debt restructuring arrangement with various creditor banks.

HALF-YEAR MILESTONES

January 2002	The previous substantial shareholder, Mr. Wong Kwan, disposed of 29.9% of his interests in the Company to China Wanan Group Limited, in which 30% was held by Gold Pin Holding Inc. and 20% by Fudi Venture Limited respectively.
January 2002	Disposed of all internet and telecommunication business to Dynamic Brilliant Group Ltd., a wholly-owned company of Mr. Wong Kwan, on 29 January 2002 and concentrated on property and development business.
January 2002	The old management represented by Mr. Wong Kwan, Mr. Wong Wai Hay and Mr. Wong Yau Kuen was replaced by the new management consisting of Mr. Wei Wu (the Chairman) and Mr. He Hui Min, Mr. Siu King Nin, Peter and other members of the Board.
May 2002	Reported dramatic decrease in loss attributable to shareholders from approximately HK\$1,162 million (year ended 31 December 2000) to approximately HK\$670 million (year ended 31 December 2001).
May 2002	Effectuated change of company name to "The Sun's Group Limited".
May 2002	Approved capital restructuring including, inter alia, reducing the nominal value of all the issued shares of the Company from HK\$0.10 to HK\$0.001 each and eliminating a total of approximately HK\$1,700 million of accumulated losses.
June 2002	Entered into a Deed of Settlement with On Fat Limited and Canal Expertise International Group Limited respectively for debts of approximately HK\$102 million and HK\$26 million by ways of subscription of shares and cash.
June 2002	Entered into an agreement for Settlement of Action and Restructuring Agreement with The Hongkong Chinese Bank Limited for restructuring a loan of approximately HK\$101 million.

July 2002

Concluded a debt restructuring plan with Industrial and Commercial International Capital Limited for repayment of a debt of approximately HK\$47 million owed by a wholly owned subsidiary of the Company.

PROFIT FOR THE FIRST HALF YEAR

The Group has turned from deficit to profit during the six-month period ended 30 June 2002. Its unaudited consolidated net profit after tax for the first half year of 2002 amounted to approximately HK\$33,893,000. Earnings per share were HK\$0.25 cents. The Board of the Company resolved not to declare any interim dividend for the six-month period ended 30 June 2002.

PROSPECTS

Along with the decline in the technology and communication industries, the global economic environment became more uncertain during the review period coincided with a sluggish pace of recovery of the US economy. In Hong Kong, problems of deflation and unemployment have continued, and the economic adjustment was aggravated by the impacts of external economic volatility and intensified global competition. The Hong Kong economy and property market remained weak. Despite these difficulties, solid progress was reported for the Group's businesses in Hong Kong.

The Group's financial position continues to be improved. With its strategic debt restructuring and rescheduling of financial resources, the Group will continue its ongoing diversification initiatives combined with innovative but prudent business strategies. These advantages will put the Group in a more favorable position to compete with other competitors in the Greater China market.

The Sun's Group will continue to be based in Hong Kong while actively pursuing global expansion, and it will strive to extend its diversified portfolio of quality businesses both locally and globally. With its mission to maximise shareholder value, the Group will continue to seize new growth opportunities and attain new heights following its philosophy, "To advance while maintaining stability, and to maintain stability while advancing". We shall continue our prudent management while investing for the future, for our core office, hotel as well as high-end residential portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property and Project Management

Turnover for property and project management during the first half year was approximately HK\$1.3 million (2001: HK\$1.3 million). Contribution from property and project management was approximately HK\$1 million (2001: HK\$0.4 million). While contribution from property management is not significant, the Group is committed to providing top quality services to properties under our management.

The development works for the Skyhigh project is expected to be completed in late 2003 or early 2004 and its pre-sale is expected to be launched in the fourth quarter of this year. In view of the property market for the luxury flats especially in the Peak is still in the upward trend, the return from the sale of Skyhigh is expected to be favorable.

In addition, the hotel project is expected to commence business in the first quarter of 2003. With the expected increase of tourists from mainland China due to the strong recovery of China, the hotel project is anticipated to generate greater returns and cash flow to the Group.

Property Rental

Turnover for property rental during the first half year was approximately HK\$4.87 million (2001: HK\$4.54 million), an increase of HK\$0.33 million when compared to the same period last year mainly as a result of accounting for the improvement in occupancy rate in our properties.

Discontinuing Operations

In December 2001, the Group entered into an agreement to dispose of certain subsidiaries engaged in the telecommunications and internet business. Completion of the disposal took place in February 2002. Thereafter, the Group ceased its telecommunications and internet business, the results of which are presented as "discontinuing operations" in the consolidated income statement for the six-month period ended 30 June 2002. The consolidated income statement for the six-month period ended 30 June 2001 has been restated to present the results of the Group's telecommunications and internet business as discontinuing operations.

FINANCIAL REVIEW

Liquidity and Financing

Together with bank loans of approximately HK\$941 million, the Group's total borrowings as at 30 June 2002 were HK\$1,285 million due to interest element. The maturity profile of bank loan principal spread over a period of 10 years with approximately HK\$852 million repayable within one year, HK\$38 million within two to five years and HK\$52 million within 10 years. During the period, the Group has completed a series of debt restructuring with various creditor banks, details of which are set out in the "Half-Year Milestones" in this interim report. As at the date of this interim report, a loan of approximately HK\$578 million with one of the creditor banks is yet to be finalized. The Company believes that a satisfactory bank restructuring plan will be concluded shortly. The Group continued to decrease its gearing ratio calculated on the basis of the Group's bank borrowings over total assets, at 71% at the period end date.

The Group has consistently maintained a healthy position and the Board believes that the Group has adequate financial resources to meet its financial efficiency.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 71% of the total at the period end date, was in HK\$ with the balance in US\$. While the Group derives its revenue and maintains cash balances mainly in HK\$, the Group has arranged with its bankers to change the US\$ borrowings to HK\$ borrowings subsequent to this period.

The Group's borrowings are principally on a floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in Group's management of interest rate exposure.

Capital Structure

The Company has undergone capital reorganization in May 2002 to allow the Company to eliminate the accumulated losses standing in the accumulated loss account of the Company as at 31 December 2000 (the "Accumulated Losses") and the change of nominal value of the then existing shares of HK\$0.10 (the "Existing Shares") which give the Company flexibility in pricing new issue of shares, in which the followings had been done:--

- (a) the issued share capital of the Company was reduced (the "Capital Reduction") by canceling the paid-up capital to the extent of HK\$0.099 on each of the Existing Shares in issue as at 8 May 2002 (the "Effective Date") and by reducing the nominal value of all the issued Existing Shares as at the Effective Date from HK\$0.10 each to HK\$0.001 each (the "Adjusted Shares");
- (b) a credit in the sum of HK\$1,328,385,940 arising from the Capital Reduction be applied towards the elimination of the Accumulated Losses;
- (c) the application of such amount from the credit arising from share premium account of about HK\$409,937,060 to eliminate the balance of the Accumulated Losses; and
- (d) immediately upon completion of the Capital Reduction, the authorized share capital be diminished by cancelling all of the unissued Existing Shares and thereafter the authorised share capital be increased by such number of Adjusted Shares such that the authorised share capital shall be HK\$2,000,000,000 consisting of 2,000,000,000 Adjusted Shares.

Charges On Assets

At 30 June 2002, certain assets of the Group with aggregate carrying value of approximately HK\$1,451 million (2001: HK\$2,028 million), were pledged to secure loan facilities utilised by subsidiaries.

Contingent Liabilities

At 30 June 2002, the Group remains with no significant change in contingent liabilities from last year-end date.

EMPLOYEES

The Group employed approximately 56 (2001: 390) employees at the period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$5.3 million for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any outstanding unexercised share options for employees. The sharp decrease in headcount during the review period was mainly due to the disposal of those manpower-oriented businesses, including telecommunication and internet businesses.

REVIEW STATEMENT BY THE AUDIT COMMITTEE

In accordance with the requirements of paragraph 39 of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Audit Committee of the Company has reviewed the unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2002, including the accounting principles and practices adopted by the Group.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company, during this period, has not been in compliance with the Company's Code of Best Practice, which incorporates the items set out in Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for a specific term, however, they are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with Company's Bye-Laws.

In compliance with the additional requirement of the Stock Exchange's Code of Best Practice, the Company in 1999 established an Audit Committee, which is currently composed of two independent Non-executive Directors. Reporting to the Board of Directors, the Audit Committee reviews matters within the purview of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the interests of the Directors in the share capital of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:—

Directors' Interests

(A) *Interests in shares*

Name	Notes	Number of shares held		Total
		Corporate Interests	Personal Interests	
Wei Wu	(1)	4,012,000,000	—	4,012,000,000
Qian Yong Wei	(2)	4,012,000,000	—	4,012,000,000

Note (1): The Corporate Interests of the shares were held by China Wanan Group Limited, in which 30% was held by Gold Pin Holding Inc. and 20% was held by Fudi Venture Limited, both of which Mr. Wei Wu was the sole beneficial shareholder.

(2): The Corporate Interests of the shares were held by China Wanan Group Limited, which 50% was held by Sun Man Tai Holdings Limited, of which Mr. Qian Yong Wei, the former director of the Company who resigned on 12 August 2002, held more than 10% indirect interests through Universal Union Limited and China Wan Tai Group Limited.

(B) *Directors' rights to acquire shares*

As at 30 June 2002, there was no interests of the Director's outstanding share options granted by the Company as recorded in the register required to be kept under Section 29 of the SDI Ordinance as all share options granted to the employees had expired on 30 June 2002.

Save as the disclosed above, as at 30 June 2002, none of the Directors, chief executives and their respective associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Substantial Shareholders

As at 30 June 2002, the following entity (not being a director or chief executive of the Company) had or was deemed to have interests, being 10% or more in the issued share capital of the Company recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

Name	Number of issued shares	Percentage holding
China Wanan Group Limited	4,012,000,000	29.90
Charcon Assets Limited	2,682,810,390	19.99

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There has been no purchase, sale or redemption of any listed securities of the Company by the Company or its subsidiary companies.

By Order of the Board

Wei Wu

Chairman

Hong Kong, 19 September 2002

CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
NON-CURRENT ASSETS			
Properties and equipment		80,912	89,837
Investment properties		368,800	368,800
Development properties		692,052	650,000
Investment in associates		-	955
		<u>1,141,764</u>	<u>1,109,592</u>
Total non-current assets		<u>1,141,764</u>	<u>1,109,592</u>
CURRENT ASSETS			
Development properties		334,145	320,000
Completed properties for sale		480	480
Inventories		-	39
Trade receivables	9	835	6,413
Prepayments and deposits		3,179	6,338
Loans and other receivables		-	26,740
Pledged bank deposits		3,940	-
Cash and bank deposits		11,764	9,962
		<u>354,343</u>	<u>369,972</u>
Total current assets		<u>354,343</u>	<u>369,972</u>
CURRENT LIABILITIES			
Short-term bank borrowings		(975,504)	(1,169,411)
Loans payable		(116,666)	(12,424)
Trade payables	10	(60,024)	(69,590)
Deferred income and deposits from customers		(8,160)	(12,464)
Accrued liabilities and other payables		(38,842)	(41,718)
Due to a former director		(50,726)	(96,924)
Due to a director		(20,168)	-
Due to shareholders		(32,551)	-
Due to related companies		(127)	(127)
Taxation payable		(12,742)	(11,590)
		<u>(1,315,510)</u>	<u>(1,414,248)</u>
Total current liabilities		<u>(1,315,510)</u>	<u>(1,414,248)</u>
Net current liabilities		<u>(961,167)</u>	<u>(1,044,276)</u>
Total assets less current liabilities		<u>180,597</u>	<u>65,316</u>
NON-CURRENT LIABILITY			
Long-term bank loan		(89,843)	-
		<u>-</u>	<u>(9,905)</u>
MINORITY INTERESTS			
Net assets		<u>90,754</u>	<u>55,411</u>
Represented by:			
Share Capital		13,418	1,341,804
Reserves		556,963	966,900
Cumulative translation adjustments		-	(1,244)
Accumulated Losses		(479,627)	(2,252,049)
		<u>90,754</u>	<u>55,411</u>

CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2002

	Notes	(Unaudited)	
		Six-month	
		period ended 30 June	
		2002	2001
		HK\$'000	(Restated)
		HK\$'000	HK\$'000
Turnover	2		
– Continuing operations		6,171	19,000
– Discontinuing operations	11	6,666	113,903
		12,837	132,903
Cost of sales		(3,579)	(114,406)
Gross profit		9,258	18,497
Other revenue	8	73,571	3,253
Selling and marketing expenses		(39)	(4,076)
General and administrative expenses		(28,147)	(46,567)
Other operating expenses		–	(196,333)
Profit/(Loss) from operations	3		
– Continuing operations		36,670	(221,559)
– Discontinuing operations	11	17,973	(3,667)
		54,643	(225,226)
Finance cost		(20,750)	(15,382)
Share of loss of associates		–	(1,336)
Profit/(Loss) before taxation		33,893	(241,944)
Taxation	4	–	(103)
Profit/(Loss) after taxation but before minority interests		33,893	(242,047)
Minority interests		206	(1,465)
Profit/(Loss) attributable to shareholders			
– Continuing operations		19,138	(232,197)
– Discontinuing operations	11	14,961	(11,315)
		34,099	(243,512)
Earnings/(Loss) per share – Basic	5	0.25 cents	(1.81) cents

CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six-month period ended	
	30 June	
	2002	2001
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(35,081)	180,917
Net cash (outflow)/inflow from investing activities	(20,352)	72,994
Net cash (outflow)/inflow before financing activities	(55,433)	253,911
Net cash inflow/(outflow) from financing activities	57,211	(257,418)
Increase/(Decrease) in cash and cash equivalents	1,778	(3,507)
Cash and cash equivalents, beginning of period	(5,889)	(2,334)
Cash and cash equivalents, end of period	(4,111)	(5,841)
Analysis of the balances of cash and cash equivalents		
– Cash and bank balances	11,764	9,817
– Bank overdrafts	(15,875)	(15,658)
	(4,111)	(5,841)

STATEMENT OF CHANGES IN EQUITY

	(Unaudited)						
	six-month period ended 30 June						
	2002					2001	
	Share capital	Share premium	Capital reserve	Cumulative translation adjustments	Accumulated deficit	Total	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consolidated							
Beginning of period	1,341,804	965,874	1,026	(1,244)	(2,252,049)	55,411	731,657
Disposal of subsidiaries	-	-	-	1,244	-	1,244	-
Net profit/(loss) for the period	-	-	-	-	34,099	34,099	(243,512)
Capital reduction	(1,328,386)	(409,937)	-	-	1,738,323	-	-
End of period	<u>13,418</u>	<u>555,937</u>	<u>1,026</u>	<u>-</u>	<u>(479,627)</u>	<u>90,754</u>	<u>488,145</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Presentation and Accounting Policies

The unaudited interim consolidated condensed financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by The Hong Kong Society of Accountants and the disclosure requirements of the Listing Rules of the Stock Exchange. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of the above new/revised SSAPs had no material impact on the Group's interim financial reporting.

These condensed financial statements should be read in conjunction with the 2001 annual financial statements.

The financial statements have been prepared on the going concern basis because the Company's Directors and management believe that continued support will be obtained from the Group's bankers and the Group's debt restructuring proposals will be accepted by its bankers and can be successfully implemented, that the Group will be able to obtain new financing to meet its financial obligations as they fall due, that the Group's properties can be realised at their book carrying value, and the Group's future operations will be successful.

2. Segmental Information

Analysis of turnover and contribution to profit/(loss) before taxation by principal activity is as follows:

	Turnover Six-month period ended 30 June		Contribution to profit/(loss) before taxation Six-month period ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Continuing Operations:				
Property investment and development	6,171	11,699	25,110	(219,546)
Financial services, including money lending	–	7,301	(5,972)	(12,651)
	<u>6,171</u>	<u>19,000</u>	<u>19,138</u>	<u>(232,197)</u>
Discontinuing Operations:				
Hotel operations	–	940	(3,372)	(5,516)
Telecommunication services	6,661	99,958	10,839	(2,032)
Internet related services	5	13,005	7,288	(2,199)
	<u>6,666</u>	<u>113,903</u>	<u>14,755</u>	<u>(9,747)</u>
Total	<u>12,837</u>	<u>132,903</u>	<u>33,893</u>	<u>(241,944)</u>

Analysis of turnover and contribution to profit/(loss) before taxation by geographical location is as follows:

	Turnover Six-month period ended 30 June		Contribution to profit/(loss) before taxation Six-month period ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	6,171	28,898	15,598	(241,142)
North America	6,661	96,656	10,995	85
Mainland China	5	7,349	7,300	(887)
	<u>12,837</u>	<u>132,903</u>	<u>33,893</u>	<u>(241,944)</u>

3. Profit/(Loss) from Operations

Profit/(Loss) from operations has been arrived at after (charging)/crediting:

	2002 HK\$'000	2001 HK\$'000
Continuing Operations:		
Provision for impairment in value of investment properties	-	(34,200)
Provision for impairment in value of development properties	-	(147,563)
Provision for impairment in value of long-term investment	-	(12,850)
Cost of sales	-	(24,444)
Depreciation	(1,415)	(4,176)
Interest income	4	1,091
Gain on disposal of fixed assets and certain other assets to a former director (Note 8)	5,927	-
Gain on partial waiver of a loan from a former director (Note 8)	48,000	-
Discontinuing Operations:		
Interest income	-	518
Cost of sales	(3,579)	(89,962)
Depreciation	(2,059)	(3,459)
Provision for advances to an associate	-	(1,720)
Gain on disposal of subsidiaries engaged in discontinuing operations (Note 8)	19,190	-

4. Taxation

The Company is exempted from taxation in Bermuda until 2016. No Hong Kong profits tax was provided as there was no assessable profit arising in or derived from Hong Kong during the period (2001 – Nil). No overseas taxation was provided by subsidiaries operating overseas as they had no estimated taxable income during the period (2001: HK\$103,000).

5. Earnings/(Loss) Per Share

The calculation of basic earnings per share for the six months ended 30 June 2002 was based on the consolidated profit attributable to shareholders of approximately HK\$34,099,000 (2001 – loss of HK\$243,512,000) and on the weighted average number of approximately 13,418,040,000 shares (2001 – 13,418,040,000 shares) in issue during the period.

No diluted earnings per share is presented as all share options were lapsed as at 30 June 2002 (2001 – all anti-dilutive).

6. Dividend

The Directors have resolved not to declare any interim dividend (2001 – Nil).

7. Capital reduction

On 26 March, 2002, the Company proposed a capital reduction plan pursuant to which the par value of each of its 13,418,040,000 ordinary shares in issue was reduced from HK\$0.1 to HK\$0.001, its share premium was reduced by approximately HK\$409,937,000, and its accumulated deficit was reduced by approximately HK\$1,738,323,000. Moreover, the Company's 6,581,960,000 authorised but unissued ordinary shares with a par value of HK\$0.1 each were cancelled and replaced by 1,986,581,960,000 authorised but unissued ordinary shares with a par value of HK\$0.001 each.

8. Gain on disposal of certain assets to a former director and partial waiver of a loan from the director

In February 2002, the Group completed the disposal of certain subsidiaries engaged in the telecommunications and internet businesses and certain other assets, which had an aggregate net book value of approximately HK\$4,883,000 as at 31 January 2002, to Mr. Wong Kwan (a director of the Company up to 29 January 2002 and a substantial shareholder of the Company) for cash consideration of HK\$30,000,000, resulting in a gain of approximately HK\$25,117,000, which was recorded as other revenue for the current period.

In January and April 2002, Mr. Wong Kwan waived certain amounts owing to him by the Group amounting to approximately HK\$48,000,000, which was recorded as other revenue for the current period.

9. Trade Receivables

The Group maintains a defined credit policy for its trade debtors. The aging analysis of trade receivables is as follows:

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
0 to 1 month	648	3,567
1 to 2 months	141	1,886
2 to 3 months	2	750
Over 3 months	44	210
	<u>835</u>	<u>6,413</u>

10. Trade Payables

The aging analysis of trade payables is as follows:

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
0 to 1 month	8,190	4,252
1 to 2 months	5,431	6,799
2 to 3 months	318	3,988
Over 3 months	46,085	54,551
	<u>60,024</u>	<u>69,590</u>

11. Discontinuing operations

In December 2001, the Group entered into an agreement to dispose of certain subsidiaries engaged in the telecommunications and internet business. Completion of the disposal took place in February 2002. Thereafter, the Group ceased its telecommunications and internet business, the results of which are presented as "discontinuing operations" in the consolidated income statement for the six-month period ended 30 June 2002. The consolidated income statement for the six-month period ended 30 June 2001 has been restated to present the results of the Group's telecommunications and internet business as discontinuing operations.

The results of the discontinuing operations were:

	(Unaudited) Six-month period ended 30th June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	6,666	113,903
Cost of sales	<u>(3,579)</u>	<u>(89,962)</u>
Gross profit	3,087	23,941
Other revenue	19,193	1,530
Selling and marketing expenses	(39)	(184)
General and administrative expenses	(4,268)	(27,234)
Other operating expenses	<u>-</u>	<u>(1,720)</u>
Profit from operations	17,973	(3,667)
Finance costs	(3,218)	(4,744)
Share of loss of associates	<u>-</u>	<u>(1,336)</u>
Profit/(loss) before taxation	14,755	(9,747)
Taxation	<u>-</u>	<u>(103)</u>
Profit/(loss) after taxation but before minority interests	14,755	(9,850)
Minority interests	<u>206</u>	<u>(1,465)</u>
Profit/(loss) attributable to shareholders	<u>14,961</u>	<u>(11,315)</u>

CORPORATE INFORMATION**Board of Directors***Executive Directors*

Wei Wu (*Chairman and Chief Executive Officer*)

He Hui Min

Siu King Nin, Peter

Chiang Ho Wai

Non-executive Director

Wei De Zhong

Independent Non-executive Directors

Leung Tze Hang, David

Lai Si Ming

Audit Committee

Leung Tze Hang, David

Lai Si Ming

Company Secretary

Yuen Wai Kuen

Solicitors

Siao, Wen & Leung

Auditors

PricewaterhouseCoopers

Principal Bankers

The Bank of China (H.K.) Limited

Liu Chong Hing Bank, Limited

The Hongkong Chinese Bank, Limited

Industrial and Commercial International Capital Limited

Shanghai Commercial Bank Limited

Registered Office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Website Address

www.sunsgrouphk.com

Head Office and Principal Place of Business

29/F. & 30/F.

The Sun's Group Centre

200 Gloucester Road

Wanchai

Hong Kong

ADR Depositary

The Bank of New York

101 Barclay Street

22nd Floor West

New York, NY10286

USA

Website: www.adrbny.com

Share Registrar and Transfer Office

Tengis Limited

4/F., Hutchison House

10 Harcourt Road

Central

Hong Kong

Corporate Communication Contacts

Email: suns@sunsgrouphk.com