

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)
		30/06/2005	Restated 30/06/2004	
Revenues				
Publishing		8,520	6,681	27.5
Exhibition and events		54	58	(6.9)
Course fees		1,794	4,198	(57.3)
		<u>10,368</u>	<u>10,937</u>	(5.2)
Other income	(i)	3,987	131	NM
Cost and expenses				
Direct costs				
- Publication		(2,513)	(2,415)	4.1
- Exhibition		(56)	(85)	(34.1)
- Course		(1,018)	(1,582)	(35.7)
Staff costs		(4,487)	(3,304)	35.8
Amortisation & depreciation		(870)	(346)	151.4
Rental expenses		(988)	(808)	22.3
Other operating expenses		(2,203)	(1,635)	34.7
Total cost and expenses		<u>(12,135)</u>	<u>(10,175)</u>	19.3
Profits from operations		2,220	893	148.6
Share of (losses)/ profits of associated companies		(17)	112	NM
Finance costs		(65)	(72)	(9.7)
Profits before taxation and minority interests		2,138	933	129.2
Taxation		-	-	NM
Profits after taxation		2,138	933	
Profits/ (Loss) attributable to:				
- Shareholders		1,527	1,022	49.4
- Minority interests		611	(89)	NM

NM - Not meaningful

	Group		%
	30/06/2005	30/06/2004	
(i) Included in other income are:			
Gain on partial disposal of investment in subsidiaries (before minority interests share of \$918,000)	1,710	-	NM
Gain arising from mark to market of quoted shares	982	-	NM

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	
	30/06/2005	31/12/2004	30/06/2005	31/12/2004
	\$'000	\$'000	\$'000	\$'000
Fixed assets	4,622	4,715	112	68
Goodwill on consolidation	7,889	9,853	-	-
Intangible assets	12,631	12,643	-	-
Investment in subsidiaries	-	-	36,904	36,898
Investment in associated companies	89,842	89,859	8,000	8,000
Other receivables	-	237	-	-
Current assets				
Work-in-progress, at cost	167	147	-	-
Trade debtors	7,132	2,397	54	461
Other debtors, deposits and prepayments	10,516	9,437	7,144	6,611
Due from subsidiaries, non-trade	-	-	25,543	19,333
Due from associated companies, non-trade	82	-	82	-
Investments in quoted shares	2,627	1,645	-	-
Cash and bank balances	1,745	4,400	221	2,079
	22,269	18,026	33,044	28,484
Current liabilities				
Trade creditors	(2,551)	(4,255)	(242)	(377)
Other creditors and accruals	(10,933)	(13,952)	(2,603)	(3,725)
Due to subsidiary companies, non-trade	-	-	(3,030)	(1,735)
Bank overdrafts	(991)	(709)	(691)	-
Term loan, current portion	(1,707)	(1,633)	(1,500)	(1,500)
Hire purchase liabilities, current portion	(19)	(22)	-	-
Provision for taxation	(34)	(34)	-	-
	(16,235)	(20,605)	(8,066)	(7,337)
Net current assets	6,034	(2,579)	24,978	21,147
Hire Purchase Liabilities, non-current portion	(15)	(22)	-	-
Loan from a subsidiary	-	-	(31,271)	(31,435)
Deferred taxation	(767)	(861)	(763)	(858)
Net assets	120,236	113,845	37,960	33,820
SHARE CAPITAL AND RESERVES				
Share capital	35,680	31,903	35,680	31,903
Share premium	17,646	16,723	17,646	16,723
Revenue reserves/ (accumulated losses)	64,742	63,215	(15,366)	(14,806)
Foreign currency translation reserves	1,477	1,637	-	-
Minority Interests	691	367	-	-
	120,236	113,845	37,960	33,820

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

Amount repayable in one year or less, or on demand

As at 30/06/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
206,453	1,519,437	133,500	1,522,121

Amount repayable after one year

As at 30/06/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
0	14,721	0	21,990

Details of any collateral

Certain assets of some subsidiaries have been pledged to secure debentures.

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	
	30/06/2005 \$'000	Restated 30/06/2004 \$'000
Cash flows from operating activities		
Profit before taxation and minority interest	2,138	933
Adjustment for:		
Amortisation of intangible assets	292	-
Share of losses/ (profits) of associated companies	17	(112)
Depreciation of fixed assets	578	346
Gain on disposal of fixed assets	-	(23)
Gain on partial disposal of investment in a subsidiary company	(1,710)	-
Gain on sale of contents rights and licensing fees	-	(2,010)
Provision for impairment loss of goodwill	2	93
Provision for impairment of intangible assets	29	124
Gain arising from mark-to-market of quoted shares	(982)	-
Fixed assets written off	28	-
Interest expense	65	71
Operating cashflow before working capital changes	457	(578)
(Increase)/ decrease in:		
Trade debtors	(4,907)	25
Other debtors, deposits and prepayments	(1,112)	(2,587)
Work-in-progress	(20)	(125)
Due from associated companies, net	(82)	-
(Decrease)/ increase in:		
Trade creditors	546	(252)
Other creditors and accruals	(1,812)	(416)
Cash used in operations	(6,930)	(3,933)
Interest paid	(65)	(71)
Income taxes paid	(95)	-
Net cash used in operating activities	(7,090)	(4,004)
Cash flows from investing activities:		
Acquisition of subsidiary, net of cash acquired	-	126
Capitalisation of intangible assets	-	(42)
Proceeds from sale of fixed assets	-	24
Purchase of fixed assets	(917)	(172)
Increase in investment in subsidiary companies	(791)	-
Proceeds from partial disposal of investment in a subsidiary company, net of cash disposed	1,814	-
Proceeds from disposal of subsidiaries, net of cash disposed	-	(75)
Net cash used in investing activities	106	(139)
Cash flows from financing activities		
Proceeds from issue of new shares	1,700	850
Proceeds from issue of unsecured convertible notes	3,000	5,001
Repayment of hire purchase/ finance lease liabilities	(10)	(12)
Proceeds from short-term loans	73	324
Payment of expenses on issuance of new shares	-	(127)
Net cash generated from financing activities	4,763	6,036
Net effect of exchange rate changes in consolidating subsidiaries	(716)	(49)
Net increase in cash and cash equivalents	(2,937)	1,844
Cash and cash equivalents at beginning of the financial period	3,691	1,021
Cash and cash equivalents at end of the financial period	754	2,865

Cash and cash equivalents comprise

Cash and bank balances	1,745	3,173
Bank overdrafts (unsecured)	(991)	(308)
	<u>754</u>	<u>2,865</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.**

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserves/ (Accumulate d Losses) S\$'000	Foreign Currency Translation Reserve S\$'000	Total S\$'000
The Group					
<u>For the period ended 30/06/2005</u>					
Balance at 01/01/2005	31,903	16,723	63,215	1,637	113,478
Issuance of shares	3,777	923	-	-	4,700
Profit for the financial period	-	-	1,527	-	1,527
Movement during the financial period	-	-	-	(160)	(160)
Balance at 30/06/2005	35,680	17,646	64,742	1,477	119,545
<u>For the period ended 30/06/2004</u>					
Balance at 01/01/2004, as previously reported	17,149	4,593	(7,356)	1,591	15,977
Prior year adjustments	-	-	(1,620)	-	(1,620)
Balance at 01/01/2004, restated	17,149	4,593	(8,976)	1,591	14,357
Issuance of shares	5,699	4,112	-	-	9,811
Expenses on issue of new shares	-	(127)	-	-	(127)
Profit for the financial period	-	-	1,022	-	1,022
Movement during the financial period	-	-	-	(45)	(45)
Balance at 30/06/2004	22,848	8,578	(7,954)	1,546	25,018
The Company					
<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
<u>For the period ended 30/06/2004</u>					
Balance at 01/01/2004	17,149	4,593	(6,390)	-	15,352
Issuance of shares	5,699	4,112	-	-	9,811
Expenses on issue of new shares	-	(127)	-	-	(127)
(Loss) for the financial period	-	-	(570)	-	(570)
Balance at 30/06/2004	22,848	8,578	(6,960)	-	24,466

- 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.**

In January 2005, the Company issued 55,555,554 ordinary shares of \$0.05 each pursuant to the Subscription Agreement dated 3 September 2004 with Quantum Capital Asset Management Limited with regards to the \$3 million convertible notes.

On 26 January 2005, the Company issued 20,000,000 ordinary shares of \$0.05 each to Sun Media Investment Holdings Limited pursuant to a Subscription Agreement.

As at 30 June 2005, total number of issued and paid-up ordinary shares is 713,606,930 with par value of \$0.05 each.

- 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.**

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the financial year ended 31 December 2004.

- 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.**

Not applicable

- 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.**

	30/06/2005	30/06/2004
Earnings per share (EPS) based on Group's profit after taxation		
- on weighted average number of shares	0.21 cents	0.26 cents
- on a fully diluted basis	0.21 cents	0.26 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	
	30/06/2005	31/12/2004	30/06/2005	31/12/2004
Net asset value based on existing issued share capital as at the respective period	16.75 cents	17.79 cents	5.32 cents	5.30 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, China market continued to be the Group's primary focus.

And at the start of the year, the Group appointed Mr Chen XiaoTao as an Executive Director and Chief Executive Officer. Mr Chen is based in Beijing.

The Observer Star Global Publishing Holdings Limited, a wholly owned subsidiary, acquired all outstanding shares that it did not already own in Observer Star Publishing Group Limited and Observer Star (PRC) Limited in February 2005.

In June 2005, the Company entered into an Equity Line of Credit Agreement with US based Cornell Capital Partners Offshore, LP for \$10 million. During the same month, the Group reduced its interest in Auston International Group Limited ("Auston") from 82.8% to 26.9% through our 78.2% owned subsidiary, Auston Technology Group Pte Ltd ("ATG"), thereby reducing our effective stake in Auston to 21% from 64.7% previously.

The Company also entered into a Sale and Purchase Agreement with Rodeo Asia Limited for the sale of 4 million SE Global shares for a consideration of US\$4 million. The Agreement is subject to the Company receiving such shares from the sale of our 20.5% interest in Asia Multi-Media Technology Services Holdings Limited ["AMMT"] (wholly owned subsidiary of Asia Network Technologies Limited) and related businesses.

Revenues

For the 6-month period ended 30 June 2005, Group revenues were marginally lower as compared to the corresponding period. Revenues from our publishing activities grew by 27% largely as a result of an increase in contribution from our Greater China operations which more than offset a decrease in contribution from our Singapore operations arising from the sale of our lifestyle publishing unit at the end of 2004.

The increase in publishing revenue was however offset by a significant drop in revenue from Auston, our education division, which fell by about 57%. The drop was a result of a significant decline in student enrolment.

Auston is now no longer a subsidiary following our partial divestment in June 2005.

Group Profits After Tax

Group PAT for the period was \$1.53 million, as compared to a profit of \$1.02 million in the previous corresponding period, an increase of 49%. The PAT of \$1.53 million took into account the Group's share of operating losses of \$0.78 million and \$0.16 million attributable to Auston and other ATG businesses respectively.

The improvement in profits is due mainly to higher contribution from our China operations and other income.

EBITDA

Earnings before interest, tax, depreciation and amortization [EBITDA] for the period rose by 58% to \$2.46 million from \$1.56 million in the prior year period.

Cash-flow and net current assets

Cash and cash equivalents as at end of the period was \$754,000 as compared to S\$2.87 million at the beginning of the period. The drop in cash and cash equivalents during the period was due to expansion of our China businesses and acquisitions.

Net current assets for the period improved significantly to \$6.03 million from a deficit of \$2.58 million as at end 2004.

- 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.**

The Group's plan to sell our 20.5% interest in AMMT and related businesses is in progress. The exercise is expected to complete in Q4 2005. On completion, we expect the Group's profits in the second half to be substantially higher than H1 2005.

- 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/recommendeded, a statement to that effect

No dividend has been recommended.

**BY ORDER OF THE BOARD
Bruno Zheng Wu
Executive Chairman
12/08/2005**