

The directors submit their report together with the audited accounts for the year ended 31st December 2002.

PROPOSED NAME CHANGE

The directors propose to change the name of the Company to "Sun Innovation Holdings Limited" and to adopt the Chinese name "奧亮集團有限公司" and will seek the shareholders' approval at a special general meeting of the Company to be held on 30th May 2003.

The proposed new company name will reflect the new era and business strategy of the change of new management and the controlling shareholder of the Company. It will also reflect a new image of the Company. Details of the proposal are disclosed in the announcement dated 15th April 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in:-

- (i) fire prevention and suppression – installation, maintenance and servicing, manufacturing and trading of fire prevention suppression systems and equipment; and
- (ii) property investment.

In March 2003, the Group established a new telecommunication division to develop corporate telecommunication services to local and overseas customers.

An analysis of the Group's performance for the year by business segment and geographical segment is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 21 to the accounts.

In view of the losses sustained by the Company, the directors are of the view that the Company had no reserves available for distribution as at 31st December 2002.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

PROPERTIES

Details of the Group's properties are set out on page 66.

FIVE YEAR FINANCIAL SUMMARY

The consolidated turnover, results, assets and liabilities of the Group for the last five financial years as based on the audited accounts of the Group are summarised below:

	Year ended 31st December								
	2002			2001			2000	1999	1998
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinuing operations	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	53,331	13,321	66,652	28,968	47,005	75,973	71,910	117,535	201,519
Profit/(loss) attributable to shareholders	1,133*	(5,091)	(3,958)	(10,395)	(909)	(11,304)	(58,617)	(60,838)	339,137

	As at 31st December								
	2002			2001			2000	1999	1998
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinuing operations	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	204,938	-	204,938	214,608	21,522	236,130	263,318	206,617	310,141
Total liabilities	39,955	-	39,955	32,628	43,786	76,414	106,298	101,527	174,975

* Included a gain on disposal of subsidiaries engaged in discontinued operations of HK\$29,355,000.

As rental income is included as part of turnover for the year of 2002, turnover for the four years ended 31st December 2001 has been restated accordingly.

Comparative figures of profit/(loss) attributable to shareholders for the year ended 31st December 2001 and total assets and total liabilities as at 31st December 2001 have been restated to reflect the adoption of Statement of Standard Accounting Practice No 33 "Discontinuing operations" which is effective for accounting periods commencing on or after 1st January 2002. The comparative figures for the three years ended 31st December 2000 have not been restated as the directors are of the opinion that it would involve substantial costs to do so.

Total assets and total liabilities as at 31 December 2001 are stated after elimination of balances between continuing operations and discontinuing operations.

SHARE CAPITAL AND OPTIONS

Details of movements in the Company's issued share capital and options during the year and outstanding as at 31st December 2002 are set out in notes 20 and 20(a) to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2002 are set out in note 27 to the accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Michele Matsuda	(appointed on 14th March 2003)
Yiu Ying Fai	
Leung To Kwong, Valiant	(appointed on 14th March 2003)
Kyota Yamada	(resigned on 14th March 2003)
Hong Cheong Fye	(resigned on 14th March 2003)
Masahiro Funayama	(resigned on 14th March 2003)
Hiroshi Higashiomori	(resigned on 14th March 2003)
Ho Hoi Tuen	(appointed on 11th May 2002 and resigned on 5th November 2002)

Independent non-executive directors

Zhou Ji, Jason	(appointed on 16th May 2002)
To King Yan, Adam	(appointed on 30th December 2002)
Lai Wing Kwan	(resigned on 16th May 2002)
Pun How Wai	(resigned on 11th November 2002)

In accordance with clauses 91 and 99(B) of the Company's Bye-laws, Messrs. Leung To Kwong, Valiant, Michele Matsuda, Yiu Ying Fai, To King Yan, Adam and Zhou Ji, Jason will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors and senior management are as shown below:

Executive directors

Michele Matsuda, aged 39, was appointed as Chairman, Chief Executive Officer and Executive Managing Director on 14th March 2003. He has more than 15 years experience in the technology sector and is expertise in technical solutions, technical management and business operational management. Mr. Matsuda has been appointed as a director of Technology Administration Division of Nomura Securities International, Inc from 1986 to 1996. He is one of the founders and a director of Trans Pacific Telecom Group, which has various telecommunication licences in UK, USA, Japan and Hong Kong.

Yiu Ying Fai, aged 44, was appointed as an executive director on 20th September 2000 and Vice-Chairman on 15th January 2001. He holds a bachelor of commerce degree from the University of Melbourne and a higher diploma in Hotel Management in Switzerland. He is a qualified accountant and members of both the Hong Kong Society of Accountants and CPA Australia. He has over 5 years of professional experience with one of the big five accounting firms specialising in corporate recovery and restructuring, liquidation and receivership. Prior to joining the Group, Mr Yiu has over 10 years senior management experience with an international group of companies with business interests in garment trading and manufacturing, hotel management, property development and investment.

Leung To Kwong, Valiant, aged 41, was appointed as executive director on 14th March 2003. Mr. Leung was graduated from the City University of New York with a bachelor's degree in Electrical Engineering in 1986 and a master's degree in business administration in 1988. He has extensive experience in telecommunication industry for more than 14 years. Mr. Leung has been appointed as senior management positions in various international companies, ranging from international network service provider, equipment vendor and Telecom Type 1 Carrier.

Independent non-executive directors

Zhou Ji, Jason, aged 39, was appointed as independent non-executive director on 16th May 2002. Mr. Zhou studied at the Medical School of Beijing University for the period from 1982 to 1985. He holds a bachelor's degree in Electrical Engineering from Washington State University and a master's degree in Biomedical Engineering from Drexel University, Philadelphia, USA. In addition to Mr. Zhou's expertise on electrical and biomedical engineering, he also has extensive experience in finance and assets management field since 1994. Mr. Zhou has acted as senior management of various finance companies in USA, Hong Kong and the PRC. He now acts as the General Manager of the Investment Banking Division of China Galaxy Securities Company in Beijing, PRC.

To King Yan, Adam, aged 43, was appointed as independent non-executive director on 30th December 2002. Mr. To was graduated from the University of London with a bachelor of laws degree in 1983. He is a solicitor by profession in Hong Kong and England since 1986 and 1990 respectively. Mr. To worked in the Legal Department of Hong Kong in 1984 and then joined Messrs. K.B. Chau & Co. as an assistant solicitor in 1987. He was admitted as a partner of Messrs. K.B. Chau & Co. in 1989. He is now the managing partner of Messrs. K.B. Chau & Co.

SHARE OPTIONS SCHEME

The Company has a share option scheme under which the Company may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company. Details of the scheme are set out in note 20(a) to the accounts. The share options held by and granted to the Company's directors during the year were as follows:

Name of director	Subscription price per share <i>HK\$</i>	Options outstanding at	Exercised during the year	Granted during the year	Lapsed during the year	Options outstanding at 31st
		1st January 2002 <i>'000</i>				December 2002 <i>'000</i>
Kyota Yamada*	0.10	100,000	Nil	Nil	Nil	100,000
Yiu Ying Fai	0.10	100,000	Nil	Nil	Nil	100,000
Hong Cheong Fye*	0.10	100,000	Nil	Nil	Nil	100,000
Masahiro Funayama*	0.10	50,000	Nil	Nil	Nil	50,000

The directors consider it is inappropriate to value the options as a number of factors that are crucial for the valuation cannot be determined accurately. Accordingly, such information is not disclosed in this annual report.

* Directors resigned on 14th March 2003 and their respective share options lapsed accordingly.

DIRECTORS' SERVICE CONTRACTS

None of the directors, including those directors who are proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS’ INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2002, the interests of the directors and chief executive in the shares, options and warrants of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) or as otherwise notified to the Company in addition to those disclosed under the heading of the Share Option Scheme above were as follows:

Name of director	<i>Note</i>	Nature of interests	Number of shares
Kyota Yamada	(1)	Corporate	805,570,000

Note:

(1) 805,570,000 shares in the Company were held by e-Compact, a company wholly-owned by Mr Yamada.

Share options granted to directors of the Company are set out in detail under the heading of the Share Option Scheme.

Save as disclosed above, as at 31st December 2002, none of the directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations (as defined in the SDI Ordinance).

At no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2002, the Company had been notified of the following substantial shareholders’ interests, being 10% or more of the Company’s issued share capital.

Name of shareholder	Number of shares
e-Compact Limited	805,570,000

e-Compact Limited held 805,570,000 shares in the Company, representing approximately 19.261% of the issued capital of the Company as at 31st December 2002.

On 14th March 2003, Mr. Yamada, the beneficial owner of e-Compact Limited, sold his entire equity interest in e-Compact Limited to Anglo Japan Enterprises Limited, a company beneficially owned by Mr. Michele Matsuda, the new Chairman of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- | | |
|-----------------------------------|-----|
| – the largest supplier | 31% |
| – five largest suppliers combined | 48% |

Sales

- | | |
|-----------------------------------|-----|
| – the largest customer | 14% |
| – five largest customers combined | 44% |

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Besides the acquisition of Mansion Wananda and disposal of Building services contracting division, the Group did not have other material acquisitions or disposals of subsidiaries during the year. New business development was disclosed under the heading of Subsequent Events in Business Review and Outlook Section.

EXCHANGE RATES EXPOSURE AND HEDGING INSTRUMENTS

The Group's transactions are principally denominated in Renminbi and Hong Kong dollars. The Group's borrowings are denominated in Hong Kong dollars. During the year under review, the exchange rate of Renminbi was stable. The Group has not entered into any hedging arrangements.

CONTINGENT LIABILITIES

As at 31st December 2002, there was a material outstanding litigation which was commenced by a third party contractor in April 2002, claiming against a bank which had served a third party notice to the Company, for a performance bond amounting to HK\$8.6 million given by the Company to a former subsidiary to in order for that subsidiary to undertake an installation project with the third party contractor. The Company issued a fourth party notice to seek recourse from the former subsidiary. The directors, having sought independent legal advice, are of the opinion that the case is unclear at this stage as the amount of the liability could not be measured with sufficient reliability. Accordingly, no provision has been made in the accounts in respect of the claim.

As at 31st December 2002, the Company and the Group had made a provision of HK\$2.5 million for an outstanding exposure in an outstanding litigation case against the Company's performance guarantee given in 1997 for a contract undertaken by a former associated company of the Group. The directors, having sought independent legal advice, are of opinion that the Group has made adequate provision.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the accounting period covered by this annual report except that independent non-executive directors of the Company are not appointed for specific terms and they are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. The Committee comprises two independent non-executive directors, namely Mr. Zhou Ji, Jason and Mr. To King Yan, Adam. Two meetings were held by the Audit Committee during the current financial year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There is no information required to be disclosed pursuant to the Listing Rules.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after the balance sheet date are set out under the heading of the Business Review and Outlook Section from pages 9 to 13 of this annual report.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Michele Matsuda

Chairman

Hong Kong, 23rd April 2003