

Report of the Directors

The Directors have the pleasure of presenting their annual report together with the audited financial statements of The Sun's Group Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are property investment and development and financial services businesses. Particulars of the Company's principal subsidiaries are shown under Note 16 on the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st December, 2002 is set out in Note 33 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2002, the five largest customers accounted for approximately 27.81% of the Group's total turnover. There was no information of the five largest suppliers of the Group as they were all derived from the discontinuing operations which were disposed in January 2002. In addition, the largest customer accounted for approximately 9.8% of the Group's turnover.

None of the directors, their associates, or any shareholders (which, to the knowledge of the Company's Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on page 23 to 71.

The Directors do not recommend the payment of a dividend, and recommend that the accumulated deficit of approximately HK\$1,314,021,000 at 31st December, 2002 be carried forward.



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SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 28 on the financial statements.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves of the Group and the Company during the year are set out in Note 30 on the financial statements. Movements in accumulated deficit of the Group during the year are set out in the consolidated income statement on page 23 of this annual report.

As at 31st December, 2002, the Company's reserves of approximately HK\$160,670,000 (subject to provisions under the Companies Act 1981 of Bermuda) were available for distribution to the Company's shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2002 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 16 and 17 on the financial statements.

PROPERTIES AND EQUIPMENT, INVESTMENT PROPERTIES AND DEVELOPMENT PROPERTIES

Details of movements in properties and equipment, investment properties and development properties during the year are set out in Notes 13, 14 and 15, respectively, on the financial statements.

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INTEREST CAPITALISED

During the year ended 31st December, 2002, the Group capitalised interest expenses of approximately HK\$90,552,000 under development properties.

BANK BORROWINGS

Particulars of bank borrowings as at 31st December, 2002 are set out in Notes 22 and 25 on the financial statements.

SHARE OPTION

Details of the share option scheme are set out in Note 29 on the financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in Note 4(i)(i) on the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are set out in Note 37 on the financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 38 on the financial statements.

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DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive directors

Mr. Wei Wu <i>(Chairman and Chief Executive Officer)</i>	Appointed on 29th January, 2002 as Executive Director and Chairman and appointed as Chief Executive Officer on 19th September, 2002
Mr. He Hui Min	Appointed on 29th January, 2002
Mr. Chiang Ho Wai	Appointed on 29th January, 2002 as Non-executive Director and redesignated as Executive Director on 19th September, 2002
Mr. Wong Kwan	Resigned on 29th January, 2002
Mr. Wong Wai Hay	Resigned on 29th January, 2002
Mr. Qian Yong Wei	Appointed on 29th January, 2002 and resigned on 12th August, 2002
Mr. Siu King Nin, Peter	Resigned as Executive Director and redesignated as Non-executive Director on 12th December, 2002 and resigned as Non-executive Director on 28th February, 2003

Non-executive director

Mr. Wei De Zhong	Appointed on 29th January, 2002
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Independent non-executive directors

Dr. Mao Zhi Rong	Appointed on 5th March, 2003
Dr. Zhu Jing	Appointed on 5th March, 2003
Mr. Leung Tze Hang, David	Resigned on 16th October, 2002
Mr. Kwan Man Fai, Kelvin	Appointed on 16th October, 2002 and resigned on 28th February, 2003
Mr. Lai Si Ming	Appointed on 9th May, 2002 and resigned on 4th March, 2003
Mr. Wong Yau Kuen	Resigned on 29th January, 2002

In accordance with clause 86(2) of the Company's Bye-laws, Messrs. Mao Zhi Rong, Zhu Jing shall hold office until the forthcoming annual general meeting and will retire and, being eligible, will offer themselves for re-election. Messrs. He Hui Min, Chiang Ho Wai will retire by rotation in accordance with clause 87 of the Company's Bye-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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DIRECTORS (Cont'd)

None of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2002 the directors of the Company had the following beneficial interests in the shares of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Note	Number of shares		Total
		Corporate interest	Personal interest	
Mr. Wei Wu	1	4,012,000,000	–	4,012,000,000
Mr. Chiang Ho Wai	2	4,012,000,000	–	4,012,000,000

Note:

- The Corporate Interest of the shares are held by China Sun's Group Limited (China Sun's), formerly known as China Wanan Group Limited, in which 30% is held by Gold Pin Holding Inc. and 20% is held by Fudi Venture Limited, both of which Mr. Wei Wu are the sole beneficial owner.
- The Corporate Interest of the shares are held by China Sun's, in which 50% was held by Essential Rise Holding Limited, of which Mr. Chiang Ho Wai is the beneficial owner.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 31st December, 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 14th November, 2002, the Company adopted a new share option scheme, under which it may grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 29 on the financial statements.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(Cont'd)*

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

On 29th January, 2002, the Group disposed of certain subsidiaries engaged mainly in the telecommunications and internet business and certain fixed assets to Mr. Wong Kwan, a director of the Company up to 29th January, 2002, for a total cash consideration of HK\$30,000,000.

Save as disclosed above, no other contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2002, the following entities (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 Sun's Group Limited	4,012,000,000	17.90%

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as at 31st December, 2002.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details in respect of the directors of the Company are set out on page 9.

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CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year covered by this annual report, except that the non-executive directors are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's By-laws.

AUDIT COMMITTEE

The Company has set up its Audit Committee in June 1999 with written terms of reference in accordance with the requirements of the Stock Exchange and such committee comprises of two independent non-executive directors of the Company, Messrs. Mao Zhi Rong and Zhu Jing. The Audit Committee acts in an advisory capacity and makes recommendations to the board. The Audit Committee had reviewed the Group's 2002 audited final results before they were tabled to the Board for approval.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's financial information for the last five financial years is set out on page 3 of this annual report.

AUDITORS

Arthur Andersen & Co, the auditors of the Company for the year ended 31st December, 2001, had retired at the annual general meeting of the Company on 21st June, 2002. Accordingly, PricewaterhouseCoopers were appointed as auditors of the Company on the same date. Li, Tang, Chen & Co. were appointed as auditors of the Company on 19th August, 2003 in place of PricewaterhouseCoopers who resigned on 30th July, 2003.

The accompanying financial statements have been audited by Li, Tang, Chen & Co. who will retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Wei Wu
Chairman

Hong Kong, 9th December, 2003