

interim report 2003



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

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CORPORATE PROFILE

The Sun's Group Limited (the "Company" or the "Group") is an investment and property company with operations located primarily in the Hong Kong Special Administration Region. Its principal businesses are property trading and development, hotel investment and management. The Sun's Group's shares are also available for the investors in the United States through American Depositary Receipts ("ADR").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2003, the turnover of the Group was approximately HK\$7.4 million (2002: HK\$12.8 million), a decrease of approximately HK\$5.4 million when compared to the same period last year mainly due to the Group's disposal of certain subsidiaries engaged in telecommunication and internet businesses to a former director in January 2002. For the period under review, net loss attributable to shareholders amounted to HK\$19.2 million as comparative to a net profit attributable to shareholders of HK\$34 million for the corresponding period of 2002. The change from profit to deficit was mainly due to the gain arisen from aforesaid disposal and of a waiver of partial loan due to a former director as recorded in 2002.

The Company is defending the winding up petitions against the Company and one of its subsidiaries by a former director. Two subsidiaries of the Company also filed the writs against two of their former directors claiming for compensation totaling for about HK\$568 million.

FINANCIAL REVIEW

Liquidity and Financing

The Group's total borrowings as at 30 June 2003 were HK\$1,154 million due to interest element. As at 30 June 2003, current ratio of the Group was 0.39 (2002: 0.27).

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. At the period end date, the Group's borrowings was mainly in HK\$. The Group derives its revenue and maintains cash balances mainly in HK\$.

Charges on Assets

At 30 June 2003, certain assets of the Group with aggregate carrying value of approximately HK\$810 million (2002: HK\$1,451 million), were pledged to secure loan facilities utilised by subsidiaries. As at 30 June 2003, certain creditor banks have appointed receivers to obtain possession of a substantial portion of properties which have been mortgaged to the banks as collateral for the bank borrowings.

Contingent Liabilities

The contingent liabilities relating to the corporate guarantee given by the company in respect of bank facilities of its subsidiaries for amount of approximately HK\$927,230,000.00 as at 30 June 2003 are the same as disclosed in the company's Annual Report 2002.

PROSPECT

The Management of the Company is confident of the economic development of PRC and the prospects of the Company in revitalizing the operations of the Group. The Company will continue to strengthen its corporate governance, reducing operating costs and work with the financial advisers to explore feasible debt restructuring plan acceptable to the creditors. As the Hong Kong property market is on the upward trend, the Company is recently in a more favourable situation to negotiate with the creditor banks for debt restructuring plans. The management is confident that given the economic condition, the debt restructuring of the Company will deem to be successful ultimately. Meantime, the Company will continue to seek financial resources from other sources

EMPLOYEES REMUNERATION

The Group, including its subsidiaries employed approximately 45 (2002: 56) employees at the period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$5.8 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.

REVIEW STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2003, 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.

In compliance with the additional requirement of The Stock Exchange of Hong Kong Limited'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 2003, 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 ("SDI Ordinance")) as recorded in the register required to be kept under Section 29 of 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

Interests in shares

Name	Notes	Number of shares held		Total
		Corporate Interests	Personal Interests	
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: (1) The Corporate Interests 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.

(2) The Corporate Interests 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 the disclosed above, as at 30 June 2003, 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 2003, 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 Sun's Group Limited	4,012,000,000	17.90

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There has been no issue, redemption or conversion of any convertible securities or options in issue by the Company's subsidiary companies.

By Order of the Board
He Hui Min
Executive Director

Hong Kong, 23 April 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30 June	
		2003	2002
		HK\$'000	HK\$'000
	Note		
TURNOVER	3		
– Continuing operations		7,429	6,171
– Discontinuing operations	4	–	6,666
		<u>7,429</u>	12,837
Cost of sales		<u>(4,501)</u>	<u>(3,579)</u>
Gross profit		2,928	9,258
Other revenues		24	73,571
Selling and marketing expenses		–	(39)
General and administrative expenses		<u>(14,296)</u>	<u>(28,147)</u>
(LOSS)/PROFIT FROM OPERATIONS	5		
– Continuing operations		(11,344)	36,670
– Discontinuing operations	4	–	17,973
		<u>(11,344)</u>	54,643
Finance cost		<u>(6,236)</u>	(20,750)
Bad debts written off		<u>(1,777)</u>	–
(LOSS)/PROFIT BEFORE TAXATION		<u>(19,357)</u>	33,893
TAXATION	6	<u>119</u>	–
(LOSS)/PROFIT AFTER TAXATION BUT BEFORE MINORITY INTERESTS		<u>(19,238)</u>	33,893
Minority interests		<u>–</u>	<u>206</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
– Continuing operations		(19,238)	19,138
– Discontinuing operations	4	–	14,961
		<u>(19,238)</u>	<u>34,099</u>
(Loss)/earnings per share – Basic	7	<u>(0.08) cents</u>	<u>0.25 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
	Note	
NON-CURRENT ASSETS		
Properties and equipment	45,127	46,643
Investment properties	220,200	220,200
Investment in associates	—	—
	<u>265,327</u>	<u>266,843</u>
Total non-current assets		266,843
CURRENT ASSETS		
Development properties	550,376	530,000
Completed properties for sale	—	480
Trade receivables	1,754	1,571
Prepayments and deposits	3,539	2,528
Tax recoverable	46	—
Cash and cash equivalents	1,367	1,957
	<u>557,082</u>	<u>536,536</u>
Total current assets		536,536
CURRENT LIABILITIES		
Short-term bank borrowings	(1,154,266)	(1,138,040)
Loans payable	(18,985)	(18,261)
Trade payables	(33,082)	(34,613)
Deferred income and deposits from customers	(8,953)	(8,888)
Accrued liabilities and other payables	(22,935)	(21,942)
Obligation under finance lease	(1,099)	(440)
Due to shareholders	(33,415)	(33,199)
Due to a former director	(52,591)	(51,985)
Due to a director	(73,092)	(51,829)
Due to related companies	(158)	(158)
Taxation payable	(10,804)	(10,878)
	<u>(1,409,380)</u>	<u>(1,370,233)</u>
Total current liabilities		(1,370,233)
NET CURRENT LIABILITIES	(852,298)	(833,697)
TOTAL ASSETS LESS CURRENT LIABILITIES	(586,971)	(566,854)
NON-CURRENT LIABILITY		
Obligation under finance lease	—	(879)
	<u>—</u>	<u>(879)</u>
NET LIABILITIES	(586,971)	(567,733)

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Represented by:			
SHARE CAPITAL	11	22,408	22,408
RESERVES	12	723,880	723,880
ACCUMULATED DEFICIT		<u>(1,333,259)</u>	<u>(1,314,021)</u>
SHAREHOLDERS' DEFICIT		<u>(586,971)</u>	<u>(567,733)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Six months ended 30 June					
	2003					2002
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000	Total HK\$'000
As at 1 January	22,408	722,854	1,026	(1,314,021)	(567,733)	55,411
Disposal of subsidiaries	-	-	-	-	-	1,244
(Loss)/profit for the six months' period	-	-	-	(19,238)	(19,238)	34,099
As at 30 June	<u>22,408</u>	<u>722,854</u>	<u>1,026</u>	<u>(1,333,259)</u>	<u>(586,971)</u>	<u>90,754</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(13,805)	(35,081)
Net cash outflow from investing activities	<u>(7,310)</u>	<u>(20,352)</u>
Net cash outflow before financing activities	(21,115)	(55,433)
Net cash inflow from financing activities	<u>20,399</u>	<u>57,211</u>
(Decrease)/increase in cash and cash equivalents	(716)	1,778
Cash and cash equivalents at beginning of period	<u>(12,177)</u>	<u>(5,889)</u>
Cash and cash equivalents at end of period	<u><u>(12,893)</u></u>	<u><u>(4,111)</u></u>
Analysis of the balances of cash and cash equivalents		
– Cash and bank balances	1,367	11,764
– Bank overdrafts	<u>(14,260)</u>	<u>(15,875)</u>
	<u><u>(12,893)</u></u>	<u><u>(4,111)</u></u>

NOTES ON THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice No. 25 (SSAP 25) Interim Financial Reporting.

(b) Going concern basis of preparation of financial statements:

The financial statements have been prepared on the going concern basis.

For the six months ended 30 June 2003, the group reported a loss attributable to shareholders of approximately HK\$19,238,000. As at 30 June 2003, the group has a net working capital deficiency of approximately HK\$852,298,000, and as at 30 June 2003, the group's shareholders' deficit stood at approximately HK\$586,971,000. In addition, the group has defaulted on repayment of principal and interest on its bank borrowings, totalling approximately HK\$1,154,266,000 as at 30 June 2003, which have been classified as current liabilities in the consolidated financial statements as at that date. Starting from May 2001, the group's creditor banks have taken various actions including, but not limited to, the issuance of demand notices or writs of summons for immediate repayment of substantially all of the group's bank borrowings, and the appointment of receivers in some cases who have obtained possession of a substantial portion of the properties which have been mortgaged to the banks as collateral for the bank borrowings. In certain cases, the creditor banks have applied the rental receipts from the investment properties to offset part of the group's short-term bank borrowings which are in default.

In April 2003, winding up petitions were made against the company and one of its subsidiaries by Mr. Wong Kwan, a former director and an existing shareholder of the company, and his related parties demanding repayment of approximately HK\$62 million for unpaid remuneration and shareholders' loans. These sums were claimed to be incurred in the period prior to the date of resignation of Mr. Wong Kwan as a director of the company.

In addition, a winding up order had been granted by the court on 20 October 2003 against one of the group's subsidiaries for failure to repay a judgement debt of approximately HK\$2,665,000.

As at 30 June 2003, Mr. Wei Wu, a director of the company, had advanced to the group approximately HK\$73,092,000 to help finance the group's operations see note 16(b). In addition, a substantial shareholder of the company, China Sun's Group Limited, has advanced to the group approximately HK\$22,905,000 to help finance the group's operations see note 16(a).

A substantial portion of the group's trade and other payables were due for repayment as at 30 June 2003. Due to the lack of liquidity, the group has delayed repayment and is currently negotiating with the creditors to agree to the debt restructuring proposals.

Substantially all of the group's properties (including investment properties, development properties and leasehold land and buildings) have been mortgaged to the banks as collateral for the group's bank borrowings totalling approximately HK\$1,154,266,000. As at 30 June 2003, these properties were stated in the consolidated balance sheet with an aggregate amount of approximately HK\$810,376,000.

The aforementioned factors raise substantial doubt about the group's ability to continue as a going concern. The company's directors and management believe that continued financial support will be forthcoming from the group's major shareholders and they are currently concentrating their efforts on the following:

- (i) the successful completion of a debt restructuring proposal whereby the outstanding indebtedness could be substantially eliminated and capital injection into the group is made by new investors;
- (ii) the successful conclusion of various initiatives to secure new sources of funding to meet its financial obligations as they fall due; and
- (iii) ways to maintain future profitable operations of the group;

Accordingly, the financial statements have been prepared on the going concern basis. Should the outcome of the efforts of the directors and management prove to be unsuccessful, the group would be unable to realise the carrying value of the majority of its assets and repay its creditors, including the banks.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002 except as described below.

Income taxes

In the current interim period, the Group has adopted, for the first time, the SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method. Pursuant to the method, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

The Group's results of major business activities for the six months ended 30 June 2003 are summarized below:

	2003			
	Property investment and development <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover				
External	7,429	-	-	7,429
Inter-segment	2,848	-	(2,848)	-
Total turnover	<u>10,277</u>	<u>-</u>	<u>(2,848)</u>	<u>7,429</u>
Operating results				
Segment result	<u>(9,067)</u>	<u>(4,054)</u>		(13,121)
Finance costs				(6,236)
Taxation				<u>119</u>
Loss after taxation but before minority interests				<u>(19,238)</u>

Note: (1) No geographical analysis is shown as all the principal activities of the Group are carried out in Hong Kong.

(2) Due to the substantial change in management in 2002, no segment information is available for the six months ended 30 June 2002 on a comparable basis.

4. DISCONTINUING OPERATIONS

The results of the discontinuing operations were:

	(Unaudited)	
	Six months ended 30 June	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	-	6,666
Cost of sales	-	(3,579)
Gross profit	-	3,087
Other revenue	-	19,193
Selling and marketing expenses	-	(39)
General and administrative expenses	-	(4,268)
Profit from operations	-	17,973
Finance costs	-	(3,218)
Profit before taxation	-	14,755
Taxation	-	-
Profit after taxation but before minority interests	-	14,755
Minority interests	-	206
Profit attributable to shareholders	<u>-</u>	<u>14,961</u>

5. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Continuing operations:		
Depreciation	(1,734)	(1,415)
Interest income	-	4
Gain on disposal of fixed assets and certain other assets to a former director	-	5,927
Gain on partial waiver of a loan from a former director	-	48,000
Staff costs	(5,286)	(5,860)
Discontinuing operations:		
Cost of sales	-	(3,579)
Depreciation	-	(2,059)
Gain on disposal of subsidiaries engaged in discontinuing operations	-	19,190

6. TAXATION

Taxation in the condensed consolidated income statement consisted of:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax:		
Write-back of over-provision in prior period	119	-

The company is exempt from taxation in Bermuda until 2016. No provision for Hong Kong profits tax has been made as the group incurred losses for tax purpose for each of two periods ended 30 June 2003 and 2002.

As at 30 June 2003, the group has unused tax losses available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the consolidated loss attributable to shareholders of approximately HK\$19,238,000 (2002: profit of HK\$34,099,000) and on the weighted average number of approximately 22,407,692,000 shares (2002: 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 2003 (2002: all anti-dilutive).

8. DIVIDEND

The directors have resolved not to declare any interim dividend (2002: Nil).

9. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
0 to 1 month	501	681
1 to 2 months	489	327
2 to 3 months	271	51
Over 3 months	493	512
	1,754	1,571

10. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
0 to 1 month	-	6,217
1 to 2 months	-	142
2 to 3 months	-	1,025
3 to 12 months	6,056	5,132
Over 12 months	27,026	22,097
	33,082	34,613

11. SHARE CAPITAL

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised: 2,000,000,000,000 shares	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid: 22,407,691,598 shares	<u>22,408</u>	<u>22,408</u>

12. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000
As at 1 January 2002	965,874	1,026	(1,244)	965,656
Disposal of subsidiaries	–	–	1,244	1,244
Capital reduction	<u>(409,937)</u>	<u>–</u>	<u>–</u>	<u>(409,937)</u>
As at 30 June 2002 and 1 July 2002	555,937	1,026	–	556,963
Premium arising from issuance of shares, net of expenses	<u>166,917</u>	<u>–</u>	<u>–</u>	<u>166,917</u>
As at 31 December 2002 and 30 June 2003	<u>722,854</u>	<u>1,026</u>	<u>–</u>	<u>723,880</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES
a) Capital commitments

Capital commitments not provided for in the financial statements, which were authorised and contracted for before the suspension of the construction of the development properties, are analysed as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Construction of development properties	<u>35,607</u>	<u>35,607</u>

b) Operating lease commitments

The group had certain operating lease commitments at 30 June 2003 in respect of rented premises under various non-cancellable operating lease agreements extending to March 2004. However these amounts are insignificant.

c) Contingent liabilities

The contingent liabilities relating to the corporate guarantee given by the company in respect of bank facilities of its subsidiaries for amount of approximately HK\$927,230,000 at 30 June 2003 are the same as disclosed in the company's annual report 2002.

14. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2003, the group had aggregate banking facilities of approximately HK\$1,154,266,000 (31.12.2002: HK\$1,138,040,000) from several banks for overdrafts and loans, which were fully utilised.

These facilities were secured by:

- (i) Mortgages of the group's leasehold land and buildings, investment properties and development properties with an aggregate net book value of approximately HK\$810,376,000 (31.12.2002: HK\$790,080,000);
- (ii) Assignment of rental income generated by certain of the group's investment properties;
- (iii) Assignment of sales proceeds received from sales of completed properties for sale; and
- (iv) Corporate guarantees provided by the company.

Due to the liquidity situation described in note 1(b), the group has defaulted on repayment of principal and interest on its bank borrowings, totalling approximately HK\$1,154,266,000 as at 30 June 2003. The group's bankers have demanded immediate repayment of substantially all of the group's bank borrowings and in some cases appointed receivers to obtain possession of certain properties which have been mortgaged to the banks as collateral for the bank borrowings. In certain cases, the creditor banks have applied the rental receipts from the investment properties to offset part of the group's short-term bank borrowings which are in default.

15. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS

Subsequent to 30 June 2003, the group recorded the following major outstanding litigations and post balance sheet events:

- a) Outstanding litigations:
- (i) In April 2003, winding up petitions were made against the company and one of its subsidiaries by Mr. Wong Kwan, a former director and an existing shareholder of the company, and his related parties demanding repayment of approximately HK\$62 million for unpaid remuneration and shareholders' loans. These sums were claimed to be incurred in the period prior to the date of resignation of Mr. Wong Kwan as a director of the company.
 - (ii) On 24 April 2003, the company had reported to the public the litigations brought against the group as referred to in (a)(i) above and requested the suspension of the trading of its shares in the Hong Kong Stock Exchange.
 - (iii) On 31 July and 26 September 2003, two subsidiaries had filed writs against their former directors, Mr. Wong Kwan, Mr. Siu King Nin, Peter, and Mr. Yuen Hon Ming, Edwin seeking compensation from them in connection with their alleged breach of fiduciary duties during the period they acted as directors of these subsidiaries. The total compensation claimed amounted to HK\$568 million.
- b) Other subsequent events:
- (i) The construction work of the group's major development property at the Peak ("the Skyhigh") held by one of the subsidiaries had been suspended. The property was received by the mortgagee bank and was subsequently sold by tender sale.
 - (ii) The creditor banks have taken possession of a substantial portion of the group's properties and have applied the rental receipts from the investment properties to offset part of the group's short-term bank borrowings which are in default.
 - (iii) Despite the efforts of the management to defend the winding up petition against one of the group's subsidiaries for failure to repay a judgement debt of approximately HK\$2,665,000, a winding up order has been granted by the court against the subsidiary in October 2003.
 - (iv) In October 2003, the group made an invitation to the public for tender of sale of its hotel property in the Western District. The tender was closed on 5 December 2003. The construction work on the hotel property had been suspended due to the litigations as referred to in (a)(i) above. Subsequently the property was received by the mortgagee bank and was sold by tender sale.
 - (v) The management is currently investigating the lending and property transactions undertaken by the former directors in prior years. On obtaining sufficient evidence and appropriate legal advice, the existing board of directors will consider taking legal actions against the former directors to recover any damages, other than as disclosed in (a)(iii) above.
 - (vi) Writs were issued by the group's creditors demanding repayment of debts due by the group which were substantially the same as those stated in the audited financial statements for the year ended 31 December 2002. Estimates of the amounts claimed were as follows:

	<i>HK\$'000</i>
Provided in the consolidated balance sheet at 30 June 2003	45,577
Not provided for in the consolidated balance sheet at 30 June 2003 debt incurred before 30 June 2003	19,264
	64,841

- (vii) It is noted that a major creditor bank had entered into a sale and purchase agreement in respect of the sale of a mortgaged investment property located at 16th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Wanchai, Hong Kong for a sale consideration of HK\$16,900,000.

16. RELATED PARTY TRANSACTIONS

Significant transactions and balances with related parties are summarised as follows:

- (a) On 29 January 2002, China Sun's Group Limited became a substantial shareholder by acquiring a substantial stake from Mr. Wong Kwan and subsequently advanced to the group a total of approximately HK\$22,905,000 (31.12.2002: HK\$22,727,000), which is unsecured and bears interest at Hong Kong prime lending rate.
- (b) As at 30 June 2003, the amount due to a director of the company of approximately HK\$73,092,000 (31.12.2002: HK\$51,829,000) represented short-term advances from Mr. Wei Wu, a director of the company, together with accrued interest. Such amount was unsecured, bore interest at Hong Kong prime lending rate and had no predetermined repayment terms.
- (c) As at 30 June 2003, the amount due to a former director of the company of approximately HK\$52,591,000 (31.12.2002: HK\$51,985,000) represented short-term advances from Mr. Wong Kwan (a director of the company up to 29 January 2002 and an existing shareholder of the company), together with accrued interest. Such amount was unsecured, bore interest at Hong Kong prime lending rate and had no predetermined repayment terms.
- (d) The outstanding balances with related companies were unsecured, non-interest bearing and had no predetermined repayment terms.

CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

He Hui Min
Liu Xiujian

Independent Non-executive Directors

Mao Zhi Rong
Zhu Jing

COMPANY SECRETARY

Yuen Wai Kuen

SOLICITOR

Andrew Lam & Co.

AUDITORS

Li, Tang, Chen & Co.

PRINCIPAL BANKERS

Liu Chong Hing Bank, Limited
Shanghai Commercial Bank Limited
The Bank of China (H.K.) Limited
Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

29/F & 30/F, The Sun's Group Centre
200 Gloucester Road
Wanchai
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited
G/F, Bank of East Asia Harbour View Center
56 Gloucester Road
Wanchai
Hong Kong

ADR DEPOSITARY

The Bank of New York
101 Barclay Street
22nd Floor West
New York, NY10286
USA

website address: <http://www.adrbny.com>

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<http://www.sunsgrouphk.com>

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