

# Message from Chairman

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## BUSINESS OVERVIEW

### Restructuring of the Group

As a result of the Group's financial position, Provisional Liquidators were appointed on 17th June, 2004. For progress of the restructuring of the Group refers to note 2 on the financial statements.

### Financial Results

The Group's turnover was approximately HK\$11.1 million (2002: HK\$19.9 million), representing a decrease of approximately 44.2% from the last financial year. The consolidated loss attributable to shareholders amounted to approximately HK\$93.0 million for the year. The loss attributable to shareholders is principally attributable to finance cost incurred amounting to 75 million.

Loss per share was approximately 0.42 cents as compared with 4.88 cents for the preceding year.

The directors do not recommend the payment of final dividend.

### Business Review

During the year under review, the Group underwent a period of extreme difficulty both resulting from the external environment and the problems inherited from the previous management.

The construction work of the Group's major development property at the Peak ("the Skyhigh") held by one of the subsidiaries was entered into receivership by the mortgage bank. In April 2004, it was sold by tender sale at the consideration of HK\$320,000,000 for settling the bank loan.

On 27th January, 2004, Joint and Several Receivers and Managers were appointed for the hotel development in Western District. The hotel was sold in June 2004 at gross consideration of HK\$350,000,000 to settle the bank loan.

Messrs. Lai Kar Yan (Derek) and Joseph K.C. Lo, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators of The Sun's Group Limited ("Provisional Liquidators") by virtue of an order dated 17th June, 2004 granted by the Court of First Instance of the High Court of Hong Kong ("Court Order").

On 31st July, 2003, a subsidiary had filed writs against their former directors, Mr. Wong Kwan and Mr. Siu King Nin, Peter seeking compensation from them in connection with their alleged breach of fiduciary duties during the period they acted as directors of the subsidiary. The total compensation claimed amounted to HK\$268 million. This case was dismissed on 6th May, 2005.

On 26th September, 2003, a subsidiary had filed writs against their former directors, Mr. Wong Kwan 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 the subsidiary. The total compensation claimed amounted to HK\$300 million. This case was dismissed on 24th January, 2005.

On 4th November, 2004, two subsidiaries had jointly filed writs against Proper Invest Group Limited and He Hui Min, a director of the subsidiaries who subsequently resigned on 30th June 2004, seeking compensation from them in connection with the disposal of advertisement board, signage, naming right and a car park space for a total consideration of HK\$2.3 million which was alleged to be below market value.

### Prospects

Property management, property investment and development will remain as core business of the Group. I am confident that the Group will prosper as soon as the current hardship is over, and will resume growth in both asset base and earnings upon successful re-structuring of the Group.

# Message from Chairman

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## **Investment and Development Properties**

Under pressure from the mortgage bank, the Company, in October 2003, arranged for public tender of our hotel development. The tender was closed in the first week of December. On 27th January, 2004, receivers were appointed by the creditor bank to take possession of the hotel and the hotel was disposed of in June 2004 by the receivers to settle the bank loan.

The Group is actively pursuing a re-structuring plan with the creditors to prepare for injection of capital.

## **Material Acquisition or disposal of Subsidiaries and Affiliated Companies**

The Group had no significant material acquisition or disposal of subsidiaries and affiliated companies during the year under review.

## **Charges on Group Assets**

As at 31st December, 2003, the Group had aggregate banking facilities of approximately HK\$1,184,812,000 (2002: HK\$1,138,040,000) from several banks for overdrafts and loans, which were fully utilized.

## **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

Most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars. As a result, there was no exchange rate risks for the Group during the year ended 31st December, 2003, and no related hedges were made by the Group.

## **Liquidity, Financial Resources and Funding**

The Group financed its operation with internally generated cash flow and loan extended by the former Chairman, Mr. Wei Wu. As at 31st December, 2003, the Group's total liabilities was HK\$1,449 million and the net current liabilities of the Group was HK\$798 million. Cash and bank deposits as at 31st December, 2003 was approximately HK\$1.7 million.

## **Contingent Liabilities and Employees**

There was no significant contingent liability as at 31st December, 2003 except for those already disclosed in the financial statements.

As at 31st December, 2003, the total number of employees of the Group was approximately 40. The Group continues to reward its staff with a reasonable remuneration package which includes medical insurance, retirement benefit and etc.

## **Review by the Audit Committee**

Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, up to the date of this report the Company is unable to appoint three Independent Non-Executive Directors as required by Rule 3.19 and Rule 3.21 of the Listing Rules. However the audited accounts of the Group for the year ended 31st December, 2003 have been reviewed by the two Executive Directors namely Mr. Pang Ho Chuen, Lawrence and Chan Wai Hung.

By order of the Board

**Pang Ho Chuen, Lawrence**  
*Chairman*

Hong Kong  
29th July, 2005