

**HONGKONG PHARMACEUTICAL HOLDINGS LTD:
CHAIRMAN LU SUN HUI GETS HIT WITH A \$HK5-MILLION CLAIM**

Mr Sun Hiu Lu (), the Chairman of Hongkong Pharmaceutical Holdings Ltd () (Code: 182, Main Board, The Stock Exchange of Hongkong Ltd) has been sued for a little more than \$HK5 million.

The Plaintiff in High Court Action Number 285 is Bright Business Investment Ltd, which claims that Mr Sun Hiu Lu is the Guarantor of a loan, advanced to on October 9, 2002, in the amount of \$HK5 million plus a monthly ‘usage fee’ of \$HK10,000.

The Statement of Claim, attached to Writ of Summons Number 285, alleges that the repayment of the \$HK5-million loan and the usage fee in the amount of \$HK60,000 were both due and owing on April 8, 2003, ‘*but the said Borrower () has failed or was unable to repay the said respective sums to the Plaintiff.*’

Paragraph 3 of the Statement of Claim, then, alleges:

‘On 18th September 2005 in consideration of the Plaintiff giving time to the said Borrower for repayment of the said Debt and the said (usage) Fee and forbearing from suing the said Borrower, the Defendant (Mr Sun Hiu Lu) executed a personal guarantee (“the said Guarantee”) and agreed, inter alia, with the Plaintiff to guarantee payment of the said Debt and the said Fee.’

Bright Business Investment Ltd alleges that despite Mr Sun Hiu Lu’s Personal Guarantee, it has received not a penny from either the Borrower or Mr Sun Hiu Lu.

Mr Sun Hiu Lu, the records of Hongkong Pharmaceutical Holdings Ltd indicate, is a guarantor to a number of the company’s creditors and his indebtedness to these creditors is known to be in the tens of millions of Hongkong dollars.

He, himself, is the legal shareholder of Hongkong Pharmaceutical to the extent of about 67.20 percent of the Issued and Fully Paid-Up Share Capital of the company that he chairs, but whose shares have been suspended from trading since August 5, 2004, according to the database of **TOLFIN** () (The Computerised Online Financial Intelligence Service and Web-Based, Credit-Checking Provider).

It is believed that there has been no appreciable change in the shareholding structure in respect of this gentleman since that date.

While Mr Sun Hiu Lu is the Chairman of Hongkong Pharmaceutical, it is in name only since the company is controlled, at this time, by the Joint and Several Provisional Liquidators, namely, Messrs Cosimo Borrelli and Kelvin Edward Flynn, pursuant to an Order of the High Court of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC).

It has been Ordered that all Executive Directors of the company, including Mr Sun Hiu Lu, refrain from exercising any control over any and all companies within the Group of Companies, under the umbrella of Hongkong Pharmaceutical.

That will soon be changed, however, because, according to the Report of the Provisional Liquidators, dated February 8, 2006, it is proposed by the Joint and Several Provisional Liquidators that all ‘*the directors be removed from office by way of special resolution in the forthcoming special general meeting upon*

Completion (of a Restructuring Proposal). New directors will be appointed at their place.'

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