

SUN'S 新銀集團有限公司
THE SUN'S GROUP LIMITED
(Provisional Liquidators Appointed)
(Incorporated in Bermuda with limited liability)
(Stock Code: 988)

Interim Report 2004

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CORPORATE PROFILE

The Board of Directors (the “Directors” or the “Board”) of The Sun’s Group Limited (Provisional Liquidators Appointed) (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2004.

The Company’s shares have been suspended for trading on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24th April, 2003. The Joint and Several Provisional Liquidators (“Provisional Liquidators”) have been appointed for the Company since 17th June, 2004.

DELAY IN PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT FOR THE PERIOD ENDED 30TH JUNE, 2004

Due to various litigations against the Group and prolonged suspension of shares trading on the Stock Exchange, most of the responsible officers had left the Group. The Company has not been able to announce its unaudited interim results for the period ended 30th June, 2004 and dispatch the Interim Report within the due date as required by the Rules Governing the Listing of Securities (the “Listing Rules”).

The delay in publication of the Interim Results and the dispatch of the Interim Report constitute breaches of the Rules 13.48(1) and 13.49(6) of the Listing Rules by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2004, the turnover of the Group was approximately HK\$1.4 million (2003: HK\$7.4 million). The decrease of approximately HK\$6.0 million when compared to the same period last year was mainly due to the Group’s suspension of property investment and development business during 2003. For the period under review, net profit attributable to shareholders amounted to HK\$129 million (2003: loss of HK\$19.2 million). The change from deficit to profit recorded in the period was mainly due to the gain on disposal of properties to partially offset the liabilities of bank creditors.

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. The 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, 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.

Financial Review

Restructuring of the Group

As a result of the Group's financial position, the Provisional Liquidators were appointed on 17th June, 2004. For progress of the restructuring of the Group refers to note 1 on the financial statements.

Liquidity and Financing

The Group's total borrowings as at 30th June, 2004 were HK\$311 million due to interest element. As at 30th June, 2004, current ratio of the Group was 0.05 (2003: 0.45).

Treasury Policies

At the period end date, the Group's borrowings were mainly in Hong Kong Dollars. The Group derives its revenue and maintains cash balances mainly in Hong Kong Dollars.

Charges on Assets

At 30th June, 2004, certain assets of the Group with aggregate carrying value of approximately HK\$17.3 million (2003: HK\$687.1 million), were pledged to secure loan facilities utilized by subsidiaries. As at 30th June, 2004, certain creditor banks had appointed receivers to obtain possession of a substantial portion of properties which had 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 was approximately HK\$125,731,000 as at 30th June, 2004 (2003: HK\$795,482,000).

PROSPECT

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.

EMPLOYEES REMUNERATION

The Group, including its subsidiaries employed approximately 40 (2003: 40) employees at the period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$1.2 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 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 interim accounts of the Group for the period ended 30th June, 2004 have been reviewed by the two Executive Directors namely Mr. Pang Ho Chuen, Lawrence and Chan Wai Hung.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with the Code On Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year covered by this interim report, except that the non-executive directors of the Company were not appointed for specific terms as required by paragraph A.4.1 of the Code. However, the non-executive directors were subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Trading in the Shares of the Company has been suspended since 24th April, 2003 and the Directors are of the opinion that since the date of shares trading suspension, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules is not applicable.

INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, none of the Directors had the beneficial interest in the share of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) as recorded in the Register of Directors 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.

Substantial Shareholders

As at 30th June, 2004, 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
Pang Ho Chuen, Lawrence
Executive Director

Hong Kong, 22nd February, 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30th June,	
	Note	2004 HK\$'000	2003 HK\$'000 (restated)
TURNOVER	3		
– Continuing operations		1,358	7,429
– Discontinuing operations	4	–	–
		<u>1,358</u>	<u>7,429</u>
Cost of sales		–	(4,501)
Gross profit		1,358	2,928
Other revenues		4	24
General and administrative expenses		<u>(12,838)</u>	<u>(14,296)</u>
LOSS FROM OPERATIONS	5		
– Continuing operations		(11,476)	(7,322)
– Discontinuing operations	4	–	(4,022)
		<u>(11,476)</u>	<u>(11,344)</u>
Gain on disposal of fixed assets		349	–
Gain on disposal of investment properties		22,740	–
Gain on disposal of development properties		119,549	–
Fixed assets written back		29	–
Uneliminated inter-company balance written off		(1,837)	–
Finance cost		(262)	(6,236)
Bad debts written off		–	(1,777)
PROFIT/(LOSS) BEFORE TAXATION		<u>129,092</u>	<u>(19,357)</u>
TAXATION	6	<u>(114)</u>	<u>119</u>
PROFIT/(LOSS) AFTER TAXATION BUT BEFORE MINORITY INTERESTS		<u>128,978</u>	<u>(19,238)</u>
Minority interests		–	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
– Continuing operations		128,978	(15,216)
– Discontinuing operations	4	–	(4,022)
		<u>128,978</u>	<u>(19,238)</u>
Earning/(loss) per share – basic	7	<u>0.58 cents</u>	<u>(0.08) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th June, 2004 HK\$'000	(Audited) 31st December, 2003 HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Properties and equipment		275	1,102
Investment properties		17,800	137,100
Investment in associates		—	—
		<hr/>	<hr/>
Total non-current assets		18,075	138,202
		<hr/>	<hr/>
CURRENT ASSETS			
Development properties		—	550,451
Trade receivables	9	27,178	97,510
Prepayments and deposits		633	759
Cash and cash equivalents		1,250	1,674
		<hr/>	<hr/>
Total current assets		29,061	650,394
		<hr/>	<hr/>
CURRENT LIABILITIES			
Short-term bank borrowings		(311,227)	(1,184,812)
Loans payables		(18,985)	(18,985)
Trade payables	10	(33,042)	(32,599)
Deferred income and deposits from customers		(8,829)	(8,971)
Accrued liabilities and other payables		(27,177)	(23,995)
Obligation under finance lease		—	(353)
Due to shareholders		(33,415)	(33,415)
Due to a former director		(52,591)	(52,591)
Due to a director		(82,530)	(82,129)
Due to related companies		(31)	(31)
Taxation payable		(11,092)	(10,978)
		<hr/>	<hr/>
Total current liabilities		(578,919)	(1,448,859)
		<hr/>	<hr/>
NET CURRENT LIABILITIES			
		(549,858)	(798,465)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		(531,783)	(660,263)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITY			
Obligation under finance lease		-----	----- (498)
NET LIABILITIES		<u>(531,783)</u>	<u>(660,761)</u>
Represented by:			
SHARE CAPITAL	<i>11</i>	22,408	22,408
RESERVES	<i>12</i>	723,880	723,880
ACCUMULATED DEFICIT		<u>(1,278,071)</u>	<u>(1,407,049)</u>
SHAREHOLDERS' DEFICIT		<u>(531,783)</u>	<u>(660,761)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

Six months ended 30th June,
2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>	2003 Total <i>HK\$'000</i>
As at 1 January	22,408	722,854	1,026	(1,407,049)	(660,761)	(567,733)
Profit/(loss) for the six months' period	—	—	—	128,978	128,978	(19,238)
As at 30 June	22,408	722,854	1,026	(1,278,071)	(531,783)	(586,971)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	65	(13,805)
Net cash inflow/(outflow) from investing activities	<u>3,270</u>	<u>(7,310)</u>
Net cash inflow/(outflow) before financing activities	3,335	(21,115)
Net cash (outflow)/inflow from financing activities	<u>(3,759)</u>	<u>20,399</u>
Decrease in cash and cash equivalents	(424)	(716)
Cash and cash equivalents at beginning of period	<u>(12,460)</u>	<u>(12,177)</u>
Cash and cash equivalents at end of period	<u><u>(12,884)</u></u>	<u><u>(12,893)</u></u>
Analysis of the balances of cash and cash equivalents		
– Cash and bank balances	1,250	1,367
– Bank overdrafts	<u>(14,134)</u>	<u>(14,260)</u>
	<u><u>(12,884)</u></u>	<u><u>(12,893)</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 Reporting.
- (b) Going concern basis of preparation of financial statements:

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of HK\$550 million and deficiency of shareholders’ funds of approximately HK\$532 million as at 30th June, 2004.

A conditional agreement (“Restructuring Agreement”) for the proposed restructuring of the Group was entered into on 23rd March, 2005, with Mastermind Assets Management Limited (the “Investor”) and the provisional liquidators (the “Provisional Liquidators”), whereby, the Investor would become the controlling shareholder of the Company. Further details of the Restructuring Agreements are disclosed in note 34(b)(vi) of annual report of the Company as at 31st December, 2003. The proposed financial restructuring involves cash injection by the Investor of new equity in the total sum of HK\$10 million to settle the creditors of the Company and The Sun’s Group (H.K.) Limited (“SGHK”), a wholly owned subsidiary of the Company, resulting in a reduction of the Group’s indebtedness. Conditional on the completion of the Restructuring Agreement, the Company shall transfer the entire share capital of the subsidiaries, other than SGHK, The Sun’s Corporate (B.V.I.) Limited, The Sun’s (B.V.I.) Limited and The Sun’s Property Management Limited (herein after collectively referred to as “Restructured Companies”) to the scheme administrator or their nominees for the sum of HK\$1.

The Restructuring Agreement with the Investor is, however, dependent upon scheme of arrangement for the restructuring of the Group’s indebtedness being accepted by the majority of each class of the Company’s and SGHK’s creditors and the re-listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Restructuring Agreement is also condition upon the relevant approvals being obtained from the High Court of Hong Kong, the Supreme Court of Bermuda, the Hong Kong regulatory authorities, including the Stock Exchange and the Securities and Futures Commission, and from the shareholders.

The financial statements have been prepared on a going concern basis on the basis that the proposed financial restructuring will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due for the foreseeable future.

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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 31st December, 2003.

3. SEGMENT INFORMATION

The Group's results of major business activities for the period are summarized below:

	2004				
	Property management <i>HK\$'000</i>	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	<u>994</u>	<u>364</u>	<u>–</u>	<u>–</u>	<u>1,358</u>
Operating results					
Segment result	<u>653</u>	<u>130,538</u>	<u>–</u>	<u>–</u>	131,191
Unallocated corporate expenses					(1,837)
Finance costs					(262)
Taxation					<u>(114)</u>
Profit after taxation but before minority interests					<u>128,978</u>

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

	2003 (restated)				
	Property management <i>HK\$'000</i>	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	1,314	6,115	–	–	7,429
Inter-segment	–	2,848	–	(2,848)	–
Total turnover	<u>1,314</u>	<u>8,963</u>	<u>–</u>	<u>(2,848)</u>	<u>7,429</u>
Operating results					
Segment result	<u>523</u>	<u>(9,590)</u>	<u>(4,054)</u>	<u>–</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.

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. DISCONTINUING OPERATIONS

The results of the discontinuing operations were:

	(Unaudited)	
	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Turnover	–	–
Cost of sales	–	(4,022)
	<hr/>	<hr/>
Gross loss	–	(4,022)
Other revenue	–	–
General and administrative expenses	–	–
	<hr/>	<hr/>
Loss from operations	–	(4,022)
Finance costs	–	–
	<hr/>	<hr/>
Loss before taxation	–	(4,022)
Taxation	–	–
	<hr/>	<hr/>
Loss after taxation but before minority interests	–	(4,022)
Minority interests	–	–
	<hr/>	<hr/>
Loss attributable to shareholders	<u>–</u>	<u>(4,022)</u>

5. LOSS FROM OPERATIONS

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

	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
Depreciation	(213)	(1,734)
Interest income	–	–
Gain on disposal of fixed assets and certain other assets to a former director	–	–
Gain on partial waiver of a loan from a former director	–	–
Staff costs	<u>(1,204)</u>	<u>(5,286)</u>

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION

Taxation in the condensed consolidated income statement consisted of:

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax:		
Provision for current period	(114)	–
Write-back of over-provision in prior period	–	119
	<u>(114)</u>	<u>119</u>

The Company is exempt from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at 17.5% on the assessable profits arising in or deriving from Hong Kong. No provision for Hong Kong profits tax has been made as the Group incurred losses for tax purpose for the period ended 30th June, 2004.

As at 30th June, 2004, the Group has unused tax losses available to offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

7. EARNING/(LOSS) PER SHARE

The calculation of basic earning per share for the six months ended 30th June, 2004 was based on the consolidated profit attributable to shareholders of approximately HK\$128,978,000 (2003: loss of HK\$19,238,000) and on the weighted average number of approximately 22,407,692,000 shares (2003: 22,407,692,000 shares) in issue during the period.

No diluted earning per share is presented as all share options were lapsed as at 30th June, 2004 (2003: all anti-dilutive).

8. DIVIDEND

The directors have resolved not to declare any interim dividend (2003: Nil).

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE RECEIVABLES

The aging analysis of trade receivables (consolidated) is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 1 month	386	17,004
1 to 2 months	131	79,108
2 to 3 months	25,403	140
Over 3 months	1,258	1,258
	<u>27,178</u>	<u>97,510</u>

10. TRADE PAYABLES

The aging analysis of trade payables (consolidated) is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 1 month	–	–
1 to 2 months	–	–
2 to 3 months	–	–
3 to 12 months	–	638
Over 12 months	33,042	31,961
	<u>33,042</u>	<u>32,599</u>

11. SHARE CAPITAL

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Ordinary shares of HK\$0.001 each		
<i>Authorised:</i>		
2,000,000,000,000 shares	<u>2,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
22,407,691,598 shares	<u>22,408</u>	<u>22,408</u>

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

12. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Total HK\$'000
As at 1st January, 2003, 1st July, 2003, 31st December, 2003 and 30th June, 2004	<u>722,854</u>	<u>1,026</u>	<u>723,880</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

In April 2004, the Group's major development property at the Peak (the "Skyhigh") was sold by tender sale at the consideration of HK\$320,000,000 for settling the bank loan and 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 the consideration of HK\$350,000,000 to settle the bank loan. Therefore, there are no material capital commitments not provided for in the financial statements, which were authorized and contracted.

(b) Operating lease commitments

The Group had certain operating lease commitments at 30th June, 2004 in respect of rented premises under various non-cancellable operating lease agreements. 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\$125,731,000 at 30th June, 2004 (2003: HK\$795,482,000).

14. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30th June, 2004, the Group had aggregate banking facilities of approximately HK\$311,227,000 (31.12.2003: 1,184,812,000) from several banks for overdrafts and loans, which were fully utilized.

These facilities were secured by:

- (i) Mortgages of the group's investment properties with an aggregate net book value of approximately HK\$17,300,000 (31.12.2003: Mortgages of the group's investment properties and development properties with an aggregate net book value of approximately HK\$687,051,000);

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

14. BANKING FACILITIES AND PLEDGE OF ASSETS (CONTINUED)

- (ii) Assignment of rental income generated by certain of the group's investment properties;
- (iii) Assignment of sales proceeds received from sales of investment properties; 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, totaling approximately HK\$311,227,000 as at 30th June, 2004. 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 receipt from the investment properties to offset parts of the Group's short-term bank borrowings which are in default.

15. OUTSTANDING LITIGATIONS

Subsequent to 30th June, 2004, the group recorded the following major outstanding litigations:

- (i) On 24th April, 2003, the Company had reported to the public the litigations brought against the Group as the former director Mr. Wong Kwan made winding up petitions against the company and requested the suspension of the trading of its shares in the Hong Kong Stock Exchange.
- (ii) 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. The case was dismissed on 6th May, 2005.
- (iii) 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.
- (iv) On 4th November, 2004, two subsidiaries had jointly filed writs against Proper Invest Group Limited and He Hui Min, a director of the subsidiaries, subsequently resigned on 30th June, 2004, seeking compensation from them in connection with disposal of advertisement board, signage, naming right and a car park space at a total consideration of HK\$2.3 million which was alleged to be below market value.

NOTES ON THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY TRANSACTIONS

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

- (a) 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 (31.12.2003: HK\$22,905,000), which is unsecured and bears interest at Hong Kong prime lending rate.
- (b) As at 30th June, 2004, the amount due to a director of the Company of approximately HK\$82,530,000 (31.12.2003: HK\$82,129,000) 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 30th June, 2004, the amount due to a former director of the company of approximately HK\$52,591,000 (31.12.2003: HK\$52,591,000) represented short-term advances from Mr. Wong Kwan (a director of the company up to 29th 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. Charcon Assets Limited, a shareholder of the company and a company owned by Mr. Wong Kwan, advanced to the group of HK\$10,510,000 (2003: HK\$10,510,000) which was unsecured and bore interest at Hong Kong prime lending rate.
- (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

Wei Wu (Resigned on 2nd March, 2004)

He Hui Min

(Resigned on 30th June, 2004)

Chiang Ho Wai

(Resigned on 2nd March, 2004)

Pang Ho Chuen, Lawrence

(Appointed on 30th June, 2004)

Chan Wai Hung

(Appointed on 15th February, 2005)

Lui Po San, Anthony

(Appointed on 30th June, 2004 and
ceased to act on 15th February, 2005)

Liu Xiu Juan

(Appointed on 2nd March, 2004 and
resigned on 30th June, 2004)

Non-executive Director

Wei De Zhong

(Resigned on 2nd March, 2004)

Independent Non-executive Directors

Mao Zhi Rong

(Resigned on 21st June, 2004)

Zhu Jing

(Resigned on 21st June, 2004)

COMPANY SECRETARY

Yuen Wai Kuen

(Resigned on 30th November, 2004)

AUDITORS

Patrick Ng & Co

PRINCIPAL BANKERS

Liu Chong Hing Bank, Limited

Shanghai Commercial Bank Limited

The Bank of China (H.K.) Limited

Wing Lung Bank Limited

PROVISIONAL LIQUIDATORS

Messrs. Lai Kar Yan (Derek) and Joseph K.C.

Lo, both of Deloitte Touche Tohmatsu

22/F., Wing On Centre

111 Connaught Road Central

Hong Kong

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

5/F., Tien Chu Commercial Building

173-174 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

REGISTERED OFFICE

5/F., Tien Chu Commercial Building

173-174 Gloucester Road

Wanchai

Hong Kong