KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Stock Code: 295)

(incorporated in Hong Kong with limited liability)

2005 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Kong Sun Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures for the corresponding period in 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Turnover	*2*	**506**	4,079
Cost of inventories sold/ properties pre-sold		**–**	(1,134)
Gross profit		**506**	2,945
Other revenue	*2*	**–**	560
Staff costs		**(1,077)**	(1,346)
Depreciation		**(19)**	(173)
Other operating expenses		**(2,103)**	(3,315)
Finance costs	*3*	**(1,868)**	(1,735)
Share of losses of associates		**(1,837)**	(1,399)
Loss before tax	*4*	**(6,398)**	(4,463)
Income tax	*5*	**(88)**	(1)
Loss for the period		**(6,486)**	(4,464)
Attributable to :			
Equity holders of the Company		**(6,486)**	(4,464)
Minority interests		**–**	1
		(6,486)	(4,463)
Loss per share – Basic	*6*	**(0.25 cents)**	(0.17 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**391**	410
Investment properties	**178**	15,666
Investments in associates	**94,478**	96,526
Available-for-sale investments	**6,537**	6,537
Loan and interest receivables	**39,510**	39,510
Consideration receivables	**59,988**	59,988
	201,082	218,514
Current assets		
Properties held for sales	**3,059**	2,188
Trade receivables	**625**	396
Consideration receivables	**18,691**	18,691
Other receivables	**1,622**	2,061
Amount due from an associate	**–**	123
Pledged time deposit	**37**	37
Cash and cash equivalents	**179**	862
	24,213	24,358
Current liabilities		
Trade and bills payables	**4,881**	4,609
Other payables	**13,198**	15,154
Tax payable	**48**	48
Finance lease payables	**6**	6
Interest-bearing bank loans and other borrowings	**33,766**	43,053
	51,899	62,870
Net current liabilities	**(27,686)**	(38,516)
Total assets less current liabilities	**173,396**	180,002
Non-current liabilities		
Finance lease payables	**13**	15
	173,383	179,987
Capital and reserves		
Share capital	**256,116**	256,116
Reserves	**(82,752)**	(76,149)
Equity attributable to equity holders of the parent	**173,364**	179,967
Minority interests	**19**	20
Total Equity	**173,383**	179,987

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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").

These condensed consolidated interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standard, HKASs and Interpretations (hereinafter collectively referred as "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. The adoption of these new HKFRSs has no material impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

Business segments

The Group's operating businesses are structured and managed separately, accordingly to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the business segments. Accordingly, the Group reports the business segment as its primary segment and the information of his segment is set out below:

	Continuing Operation		Discontinued Operations					
	Property investment and development		Financial services		Elimination		Consolidation	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**506**	2,306	**–**	1,773	**–**	–	**506**	4,079
Intersegment sales	**–**	–	**–**	1,033	**–**	(1,033)	**–**	–
Other revenue	**–**	453	**–**	3	**–**	–	**–**	456
Total	**506**	2,759	**–**	2,809	**–**	(1,033)	**506**	4,535
Segment results	**(111)**	(554)	**–**	665	**–**	(1,033)	**(111)**	(922)
Bank interest income and unallocated gains							**–**	104
Unallocated and corporate							**(2,582)**	(511)
Loss from operations							**(2,693)**	(1,329)
Finance costs							**(1,868)**	(1,735)
Share of losses of associates							**(1,837)**	(1,399)
Loss from ordinary activities before tax							**(6,398)**	(4,463)
Income tax							**(88)**	(1)
Loss before minority interests							**(6,486)**	(4,464)
Minority interests							**–**	1
Net loss attributable to shareholders							**(6,486)**	(4,463)

Geographical segments

The Group's operations are principally located in Hong Kong and Malaysia.

The following table presents revenue and certain assets information for the Group's geographical segments.

	Continuing Operations						Discontinued Operations			
	Hong Kong		Mainland China		Malaysia		Hong Kong		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**108**	316	**–**	60	**398**	1,927	**–**	1,776	**506**	4,079
Other segment information:										
Segment assets	**119,650**	159,859	**–**	–	**105,645**	108,586	**–**	–	**225,295**	268,445

3. FINANCE COSTS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on :		
Bank loans wholly repayable within five years	**399**	497
Other loans wholly repayable within five years	**1,469**	1,238
	1,868	1,735

4. LOSS BEFORE TAX

The Group's loss before taxation is derived after charging:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**–**	1,134
Depreciation	**19**	173
Staff cost	**1,077**	1,346

5. INCOME TAX

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong profits tax	**–**	1
Share of taxation attributable to associates	**88**	–
	88	1

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the six months ended 30 June 2005 of approximately HK$6,486,000 (2004: HK$4,463,000) and on the weighted average of 2,561,167,000 (2004: 2,561,167,000) shares in issue during the period.

Diluted loss per share for the periods ended 30 June 2005 and 30 June 2004 have not been shown as there were no dilutive potential ordinary shares during those periods.

7. CONTINGENT LIABILITIES

There have been no material changes and developments in respect of contingent liabilities of the Group since the disclosures in the Group's annual report for the year ended 31 December 2004.

INTERIM DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 June 2005 (2004: Nil).

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 June 2003. Details of which are set out in the Group's annual report for the year ended 31 December 2004.

No options under the new share option scheme have been granted to any person since its adoption.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in property investment and development.

The Group has experienced serious financial difficulties for the six months ended 30 June 2005 and the results under review generally reflected the situation. The Group recorded a consolidated turnover of HK$506,000, a decrease of approximately 89% in comparison with the corresponding period. Loss attributable to shareholders amounted to HK$6,486,000 as compared to the amount of approximately HK$4,463,000 in the last corresponding period. Improving the financial condition of the Group becomes the primary target of the management in the coming year.

Property development and investment

The Group's property development and investment business, comprising commercial, industrial and residential projects in Malaysia, recorded a turnover of HK$506,000, representing total turnover of the Group for the period. The drop in pre-sale income from the commercial and residential project at Johor Bahru, Malaysia as well as the non-existence of rental income due to the disposal of all commercial and industrial properties in Hong Kong constituted the considerable reduction in total turnover for the year.

Financial review

As at 30 June 2005, the total shareholders fund of the Group amounted to HK$173.4 million, compared to HK$179.9 million as at 31 December 2004. The debt ratio (based on the total liabilities over the equity) of the Group as at 30 June 2005 was 0.30 while the ratio as at 31 December 2004 was 0.35.

Total bank and other borrowings amounted to HK$33.8 million and were mainly secured by legal charge on the Group's land and buildings, investment properties, time deposits and other forms of charges.

The Group has been unable to meet certain scheduled repayments due to its bankers and creditors during the six months ended 30 June 2005 and up to the date of this interim report. As a consequence, there are various lawsuits against the Group from a number of bankers for the repayment of the amounts due by the Group. Hence, bank and other borrowings of approximately HK$33.8 million at 30 June 2005 are immediately due and payable.

Prospects

The Group has only retained its property investments in Malaysia. As the operating income of the Group continues to diminish, focus for the year will be on resolving the financial difficulties encountered by the Group. The Group will actively seek for potential investors and/or financing to strengthen its financial base and will restructure its existing operation to improve shareholders' returns. The robust performance of the PRC's economy, together with improving conditions in Hong Kong and Malaysia are expected to set the Group well on track to succeed in its restructuring and future development.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2005, the net assets value of the Group was HK$173.4 million. The Group's total bank and other borrowings were decreased by HK$9.3 million from HK$43.1 million to HK$33.8 million while the loan from minority shareholders decreased slightly from HK$0.02 million to HK$0.019 million. The total bank and other borrowings of HK$33.8 million is all repayable within one year. Included in the consideration receivable was an amount of RMB6,000,000 which had been assigned to a banker of the Company as a security for the bank loan granted.

As at 30 June 2005, the Group's debt ratio, which was calculated as a ratio of total liabilities to total equity, was 0.30 which has no material change with that of the last financial year end.

For the six months ended in 30 June 2005, most assets, liabilities and transactions of the Group are denominated in Renminbi in ("RMB"), Hong Kong Dollars ("HKD") and Malaysian Ringgit ("MYR"). In view of the currency stability on RMB and MYR, they did not have a significant impact on the performance of the Group. Hence, the Group had not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movements and will take appropriate active to reduce the exchange risks.

EMPLOYEES AND REMUNERATION POLICY

As as 30 June 2005, the Group has a total of 6 employees located in Hong Kong and Malaysia. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

During the six months ended 30 June 2005, there were no material acquisitions or disposals of subsidiaries or affiliated companies.

AUDIT COMMITTEE

The Audit Committee has three independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited financial statements of the Group for the period ended 30 June 2005 with the management.

CORPORATE GOVERNANCE

The Company has compiled with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.2.1, A.4.1 and B.1 of the Code in respect of the service term and rotation of directors.

Under the code provision A.2.1, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The chairman of the Company is now performing both roles as the Company considers it is more effective to have both roles performed by the same person at the present situation.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code in this respect.

Under the code provision B.1, remuneration committee has to be set up by the Company. Despite no remuneration committee was formed during the period under review, it has been established on 9 June 2006 with all the independent non-executive directors being members.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during six months ended 30 June 2005.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the six months ended 30 June 2005.

CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

a) Pledging of shares by the controlling shareholder and loan agreements with covenants relating to specific performance of the controlling shareholder under Rules 13.17 and 13.18 of the Listing Rules :

   In accordance with the disclosure requirements of Rules 13.17 and 13.18 of the Listing Rules, the following disclosures are included in respect of one of the Company's bank loan facilities, which the controlling shareholder of the Company to secure the bank loan facility of the Company and certain covenants requiring performance obligations of the controlling shareholder of the Company.

   Pursuant to a loan facility letter dated 25 October 2002 between the Company and Industrial and Commercial International Capital Limited ("ICIC"), relating to a 30-month term loan facility of HK$20 million, a termination event would arise if 20% of the market of certain of the Company's shares owned by Kong Fa and pledged with ICIC for the facility falls below 110% of the outstanding loan balance.

   At 30 June 2005, Kong Fa had pledged 596,052,085 ordinary shares of HK$0.10 each of the Company to secure the loan facility and the outstanding loan balance was approximately HK$7,025,000.

b) Advance to entities under Rule 13.13 of the Listing Rules :

   (i) At 30 June 2005, the Group had a loan receivable of approximately HK$39,510,000 and the accrued loan interest receivable of approximately HK$5,358,000 due from a shareholder of the Group's associate, United Victoria (the "Borrower"). Pursuant to the loan agreement, interest of the loan is chargeable at 4% over prime rate per annum. The loan is secured by a pledge of the 20% equity interest in United Victoria owned by the Borrower. The loan was originally due for repayment in 2003. The repayment date of the loan together with interest thereon was extended to June 2005. The loan receivable balance of HK$39,510,000 represented 22.8% of the Group's net assets at 30 June 2005. The Group is in the process of enforcing the repayment of the loan and interest receivables by realising the 20% equity interest in United Victoria secured thereto for settlement of the outstanding receivables.

   (ii) At 30 June 2005, the Group had an amount of approximately HK$78,679,000 due from Beijing Tianheng, representing the net consideration receivable on disposal of 90.1% interest of the registered capital of Kong Sheng. This consideration receivable representing approximately 45.4% of the Group's net assets at 30 June 2005 is unsecured and interest free.

PUBLICATION OF DETAILED RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company containing all the information required by paragraph 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website to The Stock Exchange of Hong Kong Limited *(http://www.hkex.com.hk)* in due course.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises four executive directors, namely Mr. Kong Lok King, Mr. Kong Li Jer, Mr. Kong Li Szu and Mr. Cham Yiu Keung; three independent non-executive directors, namely, Mr. Ip Man Tin, David, Mr. Lo Tat Shing and Chan Chiu Hung, Alex.

By Order of the Board
Kong Li Szu
Executive Director

Hong Kong, 28 June 2006

Please also refer to the published version of this announcement in The Standard.