KongSun 江山

Kong Sun Holdings Limited

Stock Code: 295

Interim Report 2008

CORPORATE INFORMATION

EXECUTIVE DIRECTORS	Tse On Kin *(Chairman)* Kong Li Szu Chan Chi Yuen Yu Pak Yan, Peter
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lo Miu Sheung, Betty Wong Yun Kuen Lau Man Tak
QUALIFIED ACCOUNTANT AND COMPANY SECRETARY	Mak Wai Ho
REGISTERED OFFICE	Unit A, 1st Floor Lippo Leighton Tower 103 Leighton Road, Causeway Bay Hong Kong
AUDITORS	SHINEWING (HK) CPA Limited 16th Floor, United Center 95 Queensway Hong Kong
SOLICITORS	Michael Li & Co. Henry Fok & Co.
SHARE REGISTRARS AND TRANSFER OFFICE	Computershare Hong Kong Investor Investor Services Limited 46th Floor, Hopewell Center 183 Queen's Road East Hong Kong
STOCK CODE	295
CONTACT INFORMATION	Tel : 2868 1190 Fax : 2530 1770 Website : www.kongsunholdings.com

The Board of Directors (the "Board") of Kong Sun Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June **2008** **(Unaudited)** ***HK$'000***	 2007 (Unaudited) *HK$'000*
Turnover		**–**	–
Other revenue		**209**	929
Staff costs		**(525)**	(521)
Other operating expenses		**(787)**	(2,130)
Loss from operations		**(1,103)**	(1,722)
Finance costs	*4*	**(3,054)**	(2,675)
Share of losses of associates		**(1,323)**	(15)
Loss before taxation	*5*	**(5,480)**	(4,412
Income tax	*6*	**–**	–
Loss for the period		**(5,480)**	(4,412)
Attributable to:			
Equity holders of the Company		**(5,479)**	(4,412)
Minority interests		**(1)**	–
		(5,480)	(4,412)
Loss per share – Basic	*7*	**(0.21 cents)**	(0.17 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Non-current assets			
Interests in associates		**90,282**	91,605
		90,282	91,605
Current assets			
Trade receivables	8	**–**	–
Other receivables		**714**	714
Loan and interest receivables	9	**39,510**	39,510
Pledged deposit		**42**	42
Cash and cash equivalents		**743**	953
		41,009	41,219
Current liabilities			
Trade payables	10	**4,564**	4,564
Other payables		**22,289**	18,951
Bank and other borrowings	11	**4,570**	4,570
		31,423	28,085
Net current assets		**9,586**	13,134
Total assets less current liabilities		**99,868**	104,739
Non-current liabilities			
Other payables – due after one year		**10,869**	11,761
Bank and other borrowings	11	**39,140**	37,639
		50,009	49,400
		49,859	55,339
Capital and reserves			
Share capital	12	**256,116**	256,116
Reserves		**(206,268)**	(200,789)
Total equity attributable to equity holders of the Company		**49,848**	55,327
Minority interests		**11**	12
		49,859	55,339

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital	Share premium	Capital Redemption reserves	General reserves	Exchange fluctuation reserve	Special reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	256,116	329,049	20	18,000	6,688	9,329	(545,669)	73,533	13	73,546
Exchange realignment	–	–	–	–	–	–	–	–	–	
Net loss for the period	–	–	–	–	–	–	(4,412)	(4,412)	–	(4,412)
At 30 June 2007	256,116	329,049	20	18,000	6,688	9,329	(550,081)	69,121	13	69,134
Exchange realignment	–	–	–	–	(291)	–	–	(291)	–	(291)
Net loss for the period	–	–	–	–	–	–	(13,503)	(13,503)	(1)	(13,504)
At 31 December 2007 and at 1 January 2008	**256,116**	**329,049**	**20**	**18,000**	**6,397**	**9,329**	**(563,584)**	**55,327**	**12**	**55,339**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(5,479)**	**(5,479)**	**(1)**	**(5,480)**
At 30 June 2008	**256,116**	**329,049**	**20**	**18,000**	**6,397**	**9,329**	**(569,063)**	**49,848**	**11**	**49,859**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(1,711)**	(1,308)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**–**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**1,501**	5,167
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(210)**	3,859
Cash and cash equivalents at beginning of period	**995**	74
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**785**	3,933
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**743**	3,893
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	**42**	40
	785	3,933

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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 and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements should be read in conjunction with the 2007 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 2007.

The preparation of financial information in conformity with Hong Kong Financial Reporting Standards (HKFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2007 annual accounts.

The Group has adopted the following relevant new HKFRS interpretations effective from 1 January 2008:

- HK(IFRIC) – Int 12 Service Concession Arrangements
- HK(IFRIC) – Int 14 HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting segment format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group is currently engage in property investment and development, and provision for financial services. These segments are the basis on which the Group reports its primary segment information.

	Property investment and development For the six months ended 30 June		Financial services For the six months ended 30 June		Elimination For the six months ended 30 June		Consolidation For the six months ended 30 June	
	2008	*2007*	**2008**	*2007*	**2008**	*2007*	**2008**	*2007*
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*
Segment revenue:								
Revenue from external customers	**–**	–	**–**	–	**–**	–	**–**	–
Inter-segment sales	**–**	–	**–**	–	**–**	–	**–**	–
Other revenue and net income from external customers	**–**	–	**–**	–	**–**	–	**–**	
Total	**–**	–	**–**	–	**–**	–	**–**	–
Segment results	**(71)**	(322)	**–**	(5)	**–**	–	**(71)**	(327)
Unallocated operating expenses							**(1,032)**	(1,395)
Loss from operations							**(1,103)**	(1,722)
Finance costs							**(3,054)**	(2,675)
Share of losses of associates							**(1,323)**	(15)
Loss before taxation							**(5,480)**	(4,412)
Income tax							**–**	–
Loss for the period							**(5,480)**	(4,412)

3. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

	Property investment and development		Financial services		Unallocated corporate assets and liabilities		Consolidated	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007	**30 June 2008**	31 December 2007	**30 June 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**353**	438	**39,510**	39,512	**–**	–	**39,863**	39,950
Interests in associates	**90,282**	91,605	**–**	–	**–**	–	**90,282**	91,605
Unallocated corporate assets	**–**	–	**–**	–	**1,146**	1,269	**1,146**	1,269
Total assets	**90,635**	92,043	**39,510**	39,512	**1,146**	1,269	**131,291**	132,824
Segment liabilities	**11,079**	11,287	**–**	–	**–**	–	**11,079**	11,287
Unallocated corporate liabilities	**–**	–	**–**	–	**70,353**	66,198	**70,353**	66,198
Total liabilities	**11,079**	11,287	**–**	–	**70,353**	66,198	**81,432**	77,485

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets

	Hong Kong For the six months ended 30 June		Malaysia For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2008	*2007*	***2008***	*2007*	***2008***	*2007*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Revenue from external customers	**–**	–	**–**	–	**–**	–

	30 June 2007	31 December 2007	**30 June 2007**	31 December 2007	**30 June 2007**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Segment assets	**26,946**	25,540	**104,345**	107,284	**131,291**	132,824
Capital expenditure incurred	**–**	–	**–**	–	**–**	–

4. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**3,054**	2,675
Other loans wholly repayable beyond five years	**–**	–
	3,054	2,675

5. LOSS BEFORE TAX

The Group's loss before tax is stated at after charging:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff cost (including directors' remuneration)		
– Contributions to defined contribution retirement plan	**25**	3
– Salaries, wages and other benefits	**500**	518
	525	521
Rental expense	**108**	108

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period ended 30 June 2008 and 2007.

No provision for overseas taxation has been made as the overseas subsidiaries had no estimated assessable profits arising from their jurisdictions during the period ended 30 June 2008 and 2007.

The Group did not have material unprovided deferred tax as at the balance sheet date (2007: Nil).

7. 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 2008 of approximately HK$5,479,000 (2007: HK$4,412,000) and on the weighted average of 2,561,167,000 (2007: 2,561,167,000) shares in issue during the period.

Diluted loss per share for the periods ended 30 June 2008 and 30 June 2007 have not been shown as there were no dilutive potential ordinary shares during those periods.

8. TRADE RECEIVABLES

Trade receivables at the balance sheet date with ageing analysis, based on invoice date, as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Current	–	–
1-3 months	–	–
3-12 months	–	–
Over 1 year	14,937	14,937
	14,937	14,937
Less: Impairment	(14,937)	(14,937)
	–	–

9. LOAN AND INTEREST RECEIVABLES

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Loan receivables		
Secured		
– amount due from a shareholder of an associate *(note(a))*	**39,510**	39,510
Unsecured		
– amounts due from others *(note(b))*	**49,683**	49,683
Gross loan receivables	**89,193**	89,193
Less: Impairment loss recognised		
Unsecured loan receivables		
– amounts due from others *(note(b))*	**(49,683)**	(49,683)
Net loan receivables	**39,510**	39,510
Interest receivables		
Secured loan receivables		
– amount due from a shareholder of an associate *(note(a))*	**5,358**	5,358
Unsecured loan receivables		
– amounts due from others *(note(b))*	**4,526**	4,526
Gross interest receivables	**9,884**	9,884
Less: Impairment loss recognised	**(9,884)**	(9,884)
Net interest receivables	**–**	–
	39,510	39,510

9. LOAN AND INTEREST RECEIVABLES *(Continued)*

(a) Secured loans and interest receivables

Amount due from a shareholder of an associate

At 30 June 2008 the Group had a loan receivable of approximately HK$39,510,000 (2007: HK$39,510,000) and a loan interest receivable of approximately HK$5,358,000 (2007: HK$5,358,000) due from a shareholder of an associate, United Victoria (the "Borrower"). Pursuant to the loan agreement, interest is charged at 4% over prime rate per annum. The loan is secured by, as collateral, 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. However, the loan and the interest receivables remain outstanding and overdue as at 30 June 2008.

In view of the uncertainty of the recovery of the outstanding balances in that there was default in repayment of the loan receivable and the interest receivable, and in the absence of any financial information in relation to the Borrower, the directors concluded that it is appropriate to fully impair the interest receivable of approximately HK$5,358,000 (2007: HK$5,358,000). On the other hand, since the loan receivable is secured by collateral, it is appropriate not to provide for impairment on loan receivable. The impairment of approximately HK$5,358,000 on the interest receivable was firstly recognised in 2004 as the Borrower defaulted the payment of interest which was long overdue. Since the year ended 31 December 2005, the Group no longer recognised the interest income on the loan receivable, in view of an uncertainty in relation to the collectibility, cash flow and fair value of interest. At 30 June 2008, the carrying value of the collateral was exceeded the carrying value of the outstanding loan receivables.

(b) Unsecured loan and interest receivables

Amounts due from others

As at 30 June 2008, the Group had loan receivables of approximately HK$49,683,000 (2007: HK$49,683,000) and interest receivables of HK$4,526,000 (2007: HK$4,526,000) due from some independent third parties. Full impairment on the loan receivables of approximately HK$49,683,000 (2007: HK$49,683,000) and on interest receivables of approximately HK$4,526,000 (2007: HK$4,526,000) was made in 2006. For the year ended 31 December 2006, the directors concluded it is appropriate to write-off the loan receivables of approximately HK$9,470,000 and interest receivables of approximately HK$468,000 against impairment losses in light of the bankruptcy or winding up of the debtors. For the period ended 30 June 2008, directors reassessed the position and of the opinion that the accumulated impairment loss is appropriate.

10. TRADE PAYABLES

Trade payables at the balance sheet date with ageing analysis, based on payment due date, as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Current	**–**	–
4-6 months	**–**	–
7-12 months	**–**	–
Over 1 year	**4,564**	4,564
	4,564	4,564

11. BANK AND OTHER BORROWINGS

As at 30 June 2008, the bank and other borrowings were repayable as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Within 1 year or on demand		
– Bank borrowings	**–**	–
– Other borrowings	**4,570**	4,570
After 1 year but within 5 years		
– Bank borrowings	**–**	–
– Other borrowings	**39,140**	37,639
	43,710	42,209
Other borrowings		
– secured *(note a)*	**14,700**	14,700
– unsecured *(note b)*	**29,010**	27,509
	43,710	42,209

11. BANK AND OTHER BORROWINGS *(Continued)*

(a) Other borrowings – secured

At 30 June 2008, the Group's other borrowings of approximately HK$14,700,000 (2007: HK$14,700,000) due to a financial institution bears interest at 15% (2007: 15%) per annum and are secured by the following:

(i) personal guarantees from Mr. Kong Li Jer (a former director of the Company) and Mr. Kong Li Szu (the Company's director);

(ii) corporate guarantee granted by Best Spot Investments Limited ("Best Spot"), a wholly-owned subsidiary of the Company; and

(iii) charge over all the issued share capital of Best Spot.

(b) Other borrowings – unsecured

(i) At 30 June 2008, the Group's other borrowings of approximately HK$1,800,000 (2007: HK$1,800,000) due to an independent third party bears interest at 1% over the prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited. The borrowings are repayable in full on 29 April 2008.

(ii) At 30 June 2008, the Group's other borrowings of approximately HK$2,770,000 (2007: HK$2,770,000) was due to an independent third party and are interest-free and have no fixed terms of repayment.

(iii) At 30 June 2008, the Group's other borrowings of approximately HK$24,440,000 (2007: 22,939,000) was due to an independent third party and are carried at an interest rate of 7.25% and have no fixed terms of repayment.

12. SHARE CAPITAL

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Authorised:		
40,000,000,000 (2007: 4,000,000,000) ordinary shares of HK$0.10 each	**4,000,000**	400,000
Issued and fully paid:		
2,561,166,921 (2007: 2,561,166,921) ordinary shares of HK$0.10 each	**256,116**	256,116

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group did not use any derivative financial instruments for management of underlying risks during the period ended 30 June 2008.

14. OPERATING LEASE COMMITMENTS

The Group did not have future minimum lease payments under non-cancellable operating leases as at the balance sheet dates.

15. LITIGATION

(a) Mr. Cheung Yik Wang

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu ("Mr. Kong") as 1st defendant, the Company's director, and the Company as 2nd defendant for recovering a sum of HK$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced the Company an aggregate of approximately HK$15,241,000. In 2002, the Company repaid Xswim Group HK$5,600,000 leaving a balance of approximately HK$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003.

With the advices by the Company's legal adviser, the directors are of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss has been accounted for in these financial statements.

15. LITIGATION *(Continued)*

(b) Ex-landlord

On 30 March 2004, an action was commenced by the landlord of the office premises of the Group (the "Ex-landlord") against Pacpo Hong Kong Limited ("Pacpo Hong Kong"), a wholly owned subsidiary of the Company, for overdue rental, building management and miscellaneous fees, together with arrears of rental up to the date of delivery of vacant possession of the said office premises, interests, cost and/or other relief of approximately HK$207,000. This case was heard by The High Court of The Hong Kong Special Administrative Region on 21 June 2004 and judgement was issued in favour of the Ex-landlord. Accordingly, the Group is liable to pay the Ex-landlord approximately HK$712,000. However, the Group only settled approximately HK$226,000 in aggregate to the Ex-landlord. In December 2004, the Group and the Ex-landlord entered into a settlement arrangement, under which the Group agrees to pay the outstanding debts of approximately HK$486,000 by 14 monthly instalments, the first of which is to be paid in January 2005. In the meantime, the landlord shall withhold any action to enforce the judgement. However, the Group has defaulted the settlement of the aforesaid amount. Up to the date of approval of the report, no action has been taken by the Ex-landlord in respect of the default in repayments of the unsettled amount.

A full provision of the unsettled amount of approximately HK$486,000 has been made in these financial statements.

15. LITIGATION *(Continued)*

(c) Koffman Securities Limited ("Koffman Securities")

On 13 May 2004, an action was commenced by Koffman Securities against Kong Sun Resources Limited ("Kong Sun Resources"), as 1st defendant, a wholly owned subsidiary of the Company, and the Company's director, Mr. Kong Li Szu ("Mr. Kong"), as 2nd defendant, for specific performance of an option to repurchase certain investment properties (the "Premises") of the Group. The Premises was previously sold to the Group in 2002 for a consideration of HK$21,000,000 by Koffman Securities satisfied by the issuance of 56,000,000 ordinary shares of the Company (the "Consideration Shares") the Premises, which was subsequently disposed of by the Group in 2005. It is alleged that Kong Sun Resources and Mr. Kong gave an oral guarantee that:

(i) Kong Sun Resources would make good and pay to Koffman Securities of those Consideration Shares sold at a market price not less than HK$0.375 per share in the period of thirty six months commencing from 10 June 2002 so that Koffman Securities would receive not less than HK$0.375 per Consideration Share; and

(ii) Kong Sun Resources granted Koffman Securities an option to repurchase the Premises for a consideration of HK$21,000,000 at any time within a period of five years commencing from 10 May 2002, as security for the due and punctual performance of the alleged obligation mentioned in (i) above.

Koffman Securities claimed (i) against Kong Sun Resources to transfer the Premises to Koffman Securities for a consideration of HK$21,000,000 or such consideration as the court may determine, and (ii) against Kong Sun Resources and Mr. Kong the sum of approximately HK$12,889,000 being the total amount of outstanding differences in the price of the Consideration Shares disposed of and the alleged oral guarantee amount of HK$0.375 per Consideration Share together with damages, interest, cost and/or other relief.

Subsequent to the balance sheet date and on 23 September 2008, a deed of settlement has been entered into between Koffman Securities, Kong Sun Resources and Mr. Kong whereby all three parties will dismiss all the claims against each other by jointly applying to the High Court and Koffman Securities will pay HK$1,800,000 to Kong Sun Resources as settlement of the case.

16. CONTINGENT LIABILITIES

Champ Capital Limited

Pursuant to an exclusive franchisee agreement dated 1 January 2003 ("the Franchisee Agreement") entered into between Xswim Technology, a non-wholly owned subsidiary of the Company, and Champ Capital Limited (the "Franchisee"), Xswim Technology granted the Franchisee an exclusive right to trade the computer products and office equipment of Xswim Technology in Guangdong Province and Beijing, the PRC, for a period from 1 January 2003 to 1 April 2007. In addition, Xswim Technology agreed to buy back the underlying franchise licence for HK$15,000,000 upon termination of the Agreement, both in the case of normal or early termination, and to spend HK$1,000,000 as merchandising assistance in promoting the products of Xswim Technology.

As the Franchisee had breached the Agreement to perform its duty, inter alia, to trade the products of Xswim Technology in Guangdong Province and Beijing, the PRC, Xswim Technology had terminated the Franchisee Agreement with effect from 28 November 2003. Although there were no clauses stipulated in the Franchisee Agreement that the breach would discharge the obligations of Xswim Technology to buy back the franchise licence and to pay the merchandising assistance, the directors are of the opinion that the Group had no legal or financial obligations to buy back the franchise licence and to pay the merchandising assistance when the Franchisee failed to discharge its obligation by, inter alia, trading the products of Xswim Technology in Guangdong Province and Beijing, the PRC. No action has been taken by the Franchisee in respect of the abovementioned clause up to the date of approval of the report.

With the advices by the Company's external legal adviser, the directors are of the opinion that the Franchisee would not be entitled or able to (i) exercise the option to resell the underlying franchise licence to the Group, or (ii) demand the Group payment of the merchandising assistance in promoting the products of Xswim Technology, on the ground that the Franchisee Agreement was likely to be void and not enforceable by the courts of Hong Kong, at which the Franchisee Agreement was construed. Accordingly, no provision for commitment or loss for the franchise licence and merchandising assistance has been accounted for in these financial statements.

17. COMMITMENTS

(i) Life-like plant business ("Tree Acquisition")

On 19 May 2007, Eternal Gain Investments Limited ("Eternal Gain"), a wholly owned subsidiary of the Company, the Company and Brightpower Assets Management Limited ("Brightpower"), an independent third party, entered into a sale and purchase agreement (the "FT Agreement") whereby Eternal Gain will acquire from Brightpower the entire issued share capital of two companies, namely FT Far East Limited ("FT Far East") and FT China Limited ("FT China"), held by Brightpower for an aggregate consideration of HK$1.

In addition, upon the completion of the FT Agreement, Brightpower will assign to Eternal Gain all benefits and rights in respect of the indebtedness in the amount of HK$80,786,000 due to Brightpower by FT Far East for a consideration of HK$59,999,999.

The aggregate consideration of HK$60,000,000 will be settled by way of (i) a promissory note in the principal amount of HK$20,000,000 and (ii) convertible bonds in the principal amount of HK$40,000,000 to be issued by the Company to Brightpower.

The promissory note bears interest at 4% per annum commencing from one month after the completion date of the transaction and is repayable in one lump sum on or before six months from the completion date of the transaction or one month after the resumption of trading of the shares of the Company on the Stock Exchange, whichever is earlier, or such other date as mutually agreed in writing by the Company and Brightpower. The Company has the option to redeem the promissory note in whole or in part at any time after three months from the date of the issue of the promissory note up to the date immediately prior to the maturity of the promissory note.

The convertible bonds bear interest at 4% per annum and mature after three years from the date of issue of the convertible bonds. The holders of the convertible bonds have the right to convert the whole or part of the outstanding principal amount of the convertible bonds into the shares of the Company at an initial conversion price of HK$0.1 per share, subject to amendments, during the conversion period commencing from the date immediately following the date of issue of the convertible bonds to the date immediately prior to the date of maturity of the convertible bonds.

On 20 May 2008, Eternal Gain, Brightpower, FT Far East and FT China entered into a fourth supplemental agreement whereby all parties agreed to further extend the long stop date of the FT Agreement to 30 September 2008 or such other date as the parties may agree.

17. COMMITMENTS *(Continued)*

(ii) Property investment ("Properties Acquisition")

On 28 June 2007, Lead Power Investments Limited ("Lead Power"), a wholly owned subsidiary of the Company, and two independent third parties (the "Vendors") entered into an agreement (the "CK Agreement") whereby Lead Power will acquire from the Vendors the entire issued share capital of two companies, namely Coast Holdings Limited ("CHL") and Kingston Property Investment Limited ("KPIL"), each for a consideration of HK$1. In addition, pursuant to the CK Agreement, one of the Vendors ("Vendor A") will, at the date of completion of the CK Agreement, assign all the benefits and rights in respect of the indebtedness in the amount of approximately HK$19,396,043 and HK$22,080,208 due to Vendor A by CHL and KPIL respectively for a consideration of HK$15,999,999 and HK$17,799,999 respectively.

The aggregate consideration of HK$33,800,000 will be settled by way of a promissory note in the principal amount of HK$33,800,000 to be issued by the Company to Vendor A or its nominee as Vendor A may direct. The promissory note bears interest at the Hong Kong Dollars prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited and is repayable on or before the end of the sixtieth month from the date of completion of the CK Agreement. Provided that the Company has given to the holder of the promissory note not less than ten business days' prior notice in writing, the Company may redeem the whole or any of the outstanding principal amount of the promissory note, at any time after three months from the date of the issue of the promissory note up to the date immediately prior to the maturity of the promissory note. The promissory note is secured by the charge over the entire issued capital in CHL and KPIL in favour of Vendor A or the nominee as directed by Vender A.

On 19 September 2007, Lead Power and the Vendors entered into a supplemental agreement (the "Property Supplemental Agreement") whereby both parties agreed to extend the long stop date of the CK Agreement and amend the interest rate of the promissory note from the Hong Kong Dollars prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited to 3%.

On 14 July 2008, Lead Power and the Vendor entered into a fifth supplemental agreement whereby both parties agreed to further extend the long stop date of the CK Agreement to 30 September 2008 or such other date as the parties may agree.

17. COMMITMENTS *(Continued)*

(iii) Property development in Cambodia

On 10 April, 2008, Elite Corner Limited ("Elite Corner"), a wholly owned subsidiary of the Company and Ms. Chau Dinh Nhi ("Ms. Chau"), an independent third party and not a connected person of the Company, entered into a Memorandum of Understanding (the "MOU"), under which, Ms. Chau granted a sole and exclusive right to Elite Corner to develop a piece of land with a total area of approximately 37,498 square metres located in the Siem Reap province of Cambodia (the "Land") into hotel resort and commercial complex (the "Cooperation Project").

The MOU is legally binding between Elite Corner and Ms. Chau (collectively refer to the "Parties"). Both Parties also agreed in principle that (a) Ms. Chau shall grant to Elite Corner an exclusive right to develop the Cooperation Project which Ms. Chau shall bear all the development and construction costs arising out of and incidental to the Cooperation Project; (b) Elite Corner shall provide management services (the "Management Services"), including but not limited to, (i) design of the hotel resort and commercial complex; (ii) market research; and (iii) engagement of professionals including, but not limited to, surveyors, architectures, interior designers and engineers whom are necessary for the design work of the Cooperation Project; and (c) subject to the entering into of the formal agreement ("Formal Agreement"), Ms. Chau shall pay Elite Corner the management fee equivalent to 15% of the total development and construction costs of the Cooperation Project.

Pursuant to the terms of the MOU, Elite Corner has the sole and exclusive right for the period from 10 April, 2008 up to the signing of the Formal Agreement or on 9 April, 2009, whichever is earlier ("Exclusivity Period") to negotiate with Ms. Chau with a view to agreeing on the terms of and executing the Formal Agreement. During the Exclusivity Period, Ms. Chau will not, without prior consent of Elite Corner, enter into discussions or negotiations with, or provide any information concerning the Land or the Cooperation Project to any third party. Ms. Chau also undertakes that if the Parties fail to enter into the Formal Agreement within the Exclusivity Period for whatever reason, Ms. Chau shall fully reimburse Elite Corner 11 5% of any fees, costs and expenses arising from the Management Services already paid by Elite Corner. Details of which are set out in the announcement dated 11 April 2008

18. INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2008 (2007: Nil).

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 is still experiencing financial difficulties for the six months ended 30 June 2008 and the results under review generally reflected the situation. The Group had no turnover during the six months ended 30 June 2008 and loss attributable to shareholders was HK$5,479,000 as compared to the amount of approximately HK$4,412,000 in the last corresponding period, with the increase mainly representing the increase of finance cost during the period. Improving the financial condition of the Group becomes the primary target of the management in the coming year.

Property

The Group's property development and investment business, comprising commercial and residential projects in Malaysia has not produced any revenue during the period. The lingering development progress in Malaysia and the lack of steady income-generating assets of the Group had mainly contributed to the situation.

Other investment opportunities

Notwithstanding the continued deficit in our operating results, the Group will focus on seeking new source of finance to and investment opportunity with potential to form a better foundation to improve the Group's performance in the future.

Financial Review

As at 30 June 2008, the total shareholders fund of the Group amounted to HK$49.9 million, compared to HK$55.3 million as at 31 December 2007. The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group as at 30 June 2008 was 1.6 while the ratio as at 31 December 2007 was 1.4.

The Group's income and expenditure were mainly dominated in HKD, RMB, SGD and MYR. The Group's business operation and investment of the Group are translated in Hong Kong, the PRC, Singapore and Malaysia and its revenue and expenditure in HKD, RMB, SGD and MYR.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

The Group has only retained its property investment in Malaysia. As the Group did not produce any operating income, focus for the years to come will be on resolving the financial difficulties encountered by the Group. The Group has tried to increase shareholders' return and strengthen the assets base of the Group by acquiring (i) a life-like plant business and, (ii) property investment business in Hong Kong during the year ended 31 December 2007 and (iii) enter into a memorandum for a property development project in Cambodia during the 6-month ended 30 June 2008. So another attention of the Group for the months to come will be to integrate these businesses and development project into the Group in order to produce a sustained and long term benefits to the Group. In order to strengthen the capital base of the Group, the Company has also committed with placing agent to issue convertible bonds for the Company. The injection of the new businesses and development project and the issue of convertible bonds together with the improving conditions in Malaysia are all expected to set the Group well on track to succeed in its restructuring and future development.

LIQUIDITY AND CAPITAL RESOURCE

As at 30 June 2008, the net asset value of the Group was HK$49.9million. The Group's total bank and other borrowings were increased by HK$1.5 million from HK$42.2 million as at 31 December 2007 to HK$43.7million as at 30 June 2008. The bank and other borrowings of HK$4.6 million is repayable within one year.

As at 30 June 2008, the Group's debt ratio, which was calculated as a ratio of current liabilities plus non-current liabilities to total equity, was 1.6 which has no material change with that of the last financial year end.

For the six months ended in 30 June 2008, most assets, liabilities and transactions of the Group are denominated in Renminbi ("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 movement and will take appropriate active to reduce the exchange risks.

CHARGE ON THE GROUP ASSETS

As at 30 June 2008, certain of the Group's time deposit in the amount of HK$42,000 (2007: HK$42,000) had been pledged to a bank to secure the Group's banking facilities.

CAPITAL STRUCTURE

As at 30 June 2008, the Company had approximately 2,561 million shares in issue with total shareholders' fund of the Group amounting to approximately HK$49.9 million.

By the approval of the extraordinary general meeting held on 17 January 2008, the authorised share capital of the Company was increased from HK$400,000,000 divided into 4,000,000,000 shares of HK$0.10 each to HK$4,000,000,000 divided into 40,000,000,000 shares by the creation of an additional 3,600,000,000 unissued shares.

On 16 February 2007 and 24 April 2007, the Company and an independent third party (the "Placing Agent") entered into a binding term sheet and a conditional agreement whereby the Company appointed the Placing Agent to arrange subscribers for the issue of convertible bonds in an aggregate principal amount of HK$100,000,000 on a fully underwritten basis ("Convertible Bonds"). The Convertible Bonds will be unsecured, interest bearing at 8% per annum and matured after three years from the date of issue of the convertible bonds. The Convertible Bonds can be redeemable at par in whole or in part by either the Company or the holders of the Convertible Bonds. The holders of the Convertible Bonds will be entitled to convert into conversion shares at a conversion price of HK$0.1 per share and upon such conversion, will be entitled to receive three bonus shares.

On 24 April 2008, the Company and the Placing Agent entered into fourth supplemental agreement by which both agreed to further extend the long stop date of the issue of the Convertible Bonds to 30 September 2008 or such other date as the parties may agree.

On 24 April 2008, the Company entered into a Second CB Placing Agreement with the Placing Agent in respect of the conditional issue of the second convertible bonds in the principal amount of HK$25,000,000 on a fully underwritten basis ("Second Convertible Bonds"). The Second Convertible Bonds will be unsecured, interest bearing at 8% per annum and matured after three years from the date of issue of the convertible bonds. The Second Convertible Bonds can be redeemable at par in whole or in part by either the Company or the holders of the Second Convertible Bonds. The holders of the Second Convertible Bonds will be entitled to convert into conversion shares at a conversion price of HK$0.1 per share and upon such conversion, will be entitled to receive three bonus shares. The long stop date of the issue of the Second Convertible Bonds is on 30 September 2008 or such other date as the parties may otherwise agree.

CAPITAL STRUCTURE *(Continued)*

Both the issue of the Convertible Bonds and the Second Convertible Bonds is conditional upon being satisfied on or before the long stop date (a) the Stock Exchange approving the resumption of trading in the Shares of the Company and (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the conversion shares and the bonus shares.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group has a total of 4 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

Memorandum of understanding in respect of property development in Cambodia

The Group does not have material disposals of investment during the 6-month ended 30 June 2008. For material acquisitions of the Group, please refer to note 15 "Commitments" for details.

Pursuant to the terms of the MOU, Elite Corner has the sole and exclusive right for the period from 10 April, 2008 up to the signing of the Formal Agreement or on 9 April, 2009, whichever is earlier ("Exclusivity Period") to negotiate with Ms. Chau with a view to agreeing on the terms of and executing the Formal Agreement. During the Exclusivity Period, Ms. Chau will not, without prior consent of Elite Corner, enter into discussions or negotiations with, or provide any information concerning the Land or the Cooperation Project to any third party. Ms. Chau also undertakes that if the Parties fail to enter into the Formal Agreement within the Exclusivity Period for whatever reason, Ms. Chau shall fully reimburse Elite Corner 11 5% of any fees, costs and expenses arising from the Management Services already paid by Elite Corner. Details of which are set out in the announcement dated 11 April 2008.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES

At 30 June 2008, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long Position in the shares of the Company

Name of director	*Notes*	Number of shares held and nature of interest Personal	Corporate	Total	Percentage of issued share capital
Kong Look Sen (deceased)	*(1)*	22,760,695	1,457,225,836	1,479,986,531	57.79
Kong Li Jer	*(1)*	22,760,695	1,457,225,836	1,479,986,531	57.79
Kong Li Szu	*(2)*	22,760,695	1,053,850,042	1,076,610,737	42.04

Notes:

(1) The corporate interests in 1,457,225,836 shares comprise of 1,053,850,042 shares being held by Kong Fa Holding Limited ("Kong Fa") and 403,375,794 shares by Kong Sun Enterprise Sdn. Bhd. ("KSE"), respectively. Mr. Kong Look Sen, who was a director and shareholder of Kong Fa and KSE, had passed away on 6 July 2004 and all his shares are being held under Estate. Mr. Kong Li Jer is a the director and shareholder of Kong Fa and KSE.

(2) The corporate interest of 1,053,850,042 shares is held by Kong Fa, of which Mr. Kong Li Szu is a director and shareholder.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES *(Continued)*

Save as disclosed above, at 30 June 2008, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

EMPLOYEE RETIREMENT BENEFITS

The Company has a share option scheme which was adopted on 30 June 2003, whereby the Board of the Company are authorised to grant options to selected participants, including employees and directors of any company in the Group, to subscribe for shares of the Company. The exercise price of the options is determined by the Board at the time of grant, and shall be the highest of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant. No option was granted by the Company under the scheme since its adoption.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or chief executives or their spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the period or at any time during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 2008, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of ordinary shares held	Percentage of issued share capital
Kong Fa	1,053,850,042	41.15
KSE	403,375,794	15.75

Save as disclosed above, at 30 June 2007, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 the six months ended 30 June 2008.

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 period ended 30 June 2008, with deviations from code provision A.4.1 of the Code in respect of the service term and rotation of directors.

CORPORATE GOVERNANCE *(Continued)*

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.

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 period ended 30 June 2008.

CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

a) Pledging of shares by the controlling shareholder:

In accordance with the disclosure requirements under Chapter 13 of the Listing Rules, the following disclosures are included in respect of the pledging of shares by the controlling shareholder for a loan facility by a bank/independent third party.

Pursuant to a debt acquisition agreement dated 25 October 2002 between the Company and Industrial and Commercial International Capital Limited ("ICIC") relating to a term loan facility, Kong Fa pledged 596,052,085 ordinary shares of HK$0.10 each to secure a bank loan facility from ICIC.

Pursuant to a debt acquisition agreement dated 14 February 2007 between Mr. Ng (an independent third party and not a connected person of the Company) and ICIC, the 596,052,085 ordinary shares of HK$0.10 each, originally pledged to ICIC to secure a term loan facility, has been transferred by ICIC and pledged to Mr. Ng upon the acquisition of the outstanding loan indebted to ICIC as at 14 February 2007 of approximately HK$6,939,000 by Mr. Ng from ICIC.

CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES *(Continued)*

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

(i) At 30 June 2008, 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. However, the loan and the accrued interest receivables remain outstanding and overdue. A provision of approximately HK$5,358,000 had been made against the accrued interest receivable in previous years. The loan receivable balance of HK$39,510,000 represented 79% of the Group's net assets at 30 June 2008. 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 2008, the Group had an amount of approximately HK$75,908,000 due from Beijing Tianheng, representing the net consideration receivable on disposal of 90.1% interest of the registered capital of Kong Sheng Property Development Limited. This consideration receivable is unsecured and interest free and has been fully impaired during the year ended 31 December 2005.

THIRD STAGE OF DELISTING PROCEDURES

On 16 May 2007, the Company is placed into the third stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company will have a period of six months for the submission of a viable resumption proposal and to remedy those matters that gave rise to the Stock Exchange's proposal to cancel the listing of the Company. If the Company does not submit a viable proposal as required, the Stock Exchange will cancel the listing of the Company upon the expiry of the six-month period from 16 May 2007 (i.e. on 15 November 2007).

THIRD STAGE OF DELISTING PROCEDURES *(Continued)*

A Resumption Proposal (the "Proposal") was submitted to the Stock Exchange on 31 October 2007 and updated information was subsequently submitted to the Stock Exchange on 23 June 2008. A Listing Committee hearing was held on 26 June 2008 and the Stock Exchange issued a letter dated 27 June 2008 (the "Letter") to the Company stated that the Listing Committee decided to allow the Company to proceed with the Proposal, subject to prior compliance with the following conditions to the satisfaction of the Listing Division within six months from the date of the Letter, i.e. on 26 December 2008:

(a) the Company issuing announcement(s) to disclose (i) the Proposal and the actions taken by the Company to remedy those matters that gave rises to the Stock Exchange's proposal to cancel the listing of the Company; and (ii) the transactions for which the Company has failed to comply with the notifiable and connected transaction requirements under the Listing Rules;

(b) compliance with the applicable requirements in the Listing Rules, including the shareholders' approval requirement, in respect of the transactions contemplated under the Proposal;

(c) completion of the Tree Acquisition, the Properties Acquisition and the proposed placing of the Convertible Bonds and the Second Convertible Bonds;

(d) the Company undertaking to appoint an independent professional firm to conduct a full scope review on the financial reporting system and internal control procedures of the enlarged Group after completion of the Proposal and that

- the Company will procure the professional firm to issue a review report, together with any proposed remedial measures and timetable for implementation of such remedial measures, within six months from the date of completion of the Proposal; and

- the Company will report the progress of its implementation of the remedial measures proposed by the professional firm in its annual report(s) for the year ending 31 December 2008 and subsequent financial year(s);

THIRD STAGE OF DELISTING PROCEDURES *(Continued)*

(e) appointment of a compliance adviser pursuant to Listing Rule 3A.20 to provide guidance and advice to the Company on Listing Rule compliance issues. Such appointment shall be made, and the function of the compliance adviser shall be designated, in accordance with Chapter 3A of the Listing Rules in force from time to time. The appointment shall end no earlier than the date on which the Company complies with Listing Rule 13.46 in respect of its financial results for the second full financial year from the date of the appointment of the compliance adviser. During such period, the Company must consult with and seek advice from the compliance adviser on a timely basis in the circumstances set out in Listing Rule 3A.23 and the compliance adviser must discharge its responsibilities with due care and skill as required under Listing Rule 3A.24; and

(f) Mr. Kong Li Szu, an executive director of the Company, undertaking that (i) he will undertake training in compliance and corporate governance matters for at least 24 hours on courses held by the Hong Kong Institute of Directors or recognized professional organization(s) acceptable to the Listing Division within six months from the date of the Letter; and (ii) he will furnish to the Listing Division evidence of attendance within two weeks after full compliance with the training requirement.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgement issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2008.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises three executive directors, namely Mr. Tse On Kin, Mr. Chan Chi Yuen, Mr. Yu Pak Yan, Peter and Mr. Kong Li Szu; three independent non-executive directors, namely, Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen and Mr. Lau Man Tak.

By Order of the Board
Tse On Kin
Chairman and Executive Director

Hong Kong, 26 September 2008