



KONG SUN HOLDINGS LIMITED
江山控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 295)

2007 INTERIM RESULTS ANNOUNCEMENT

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 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	<i>Notes</i>	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		–	–
Other revenue		929	40
Staff costs		(521)	(283)
Other operating expenses		<u>(2,130)</u>	<u>(1,726)</u>
Loss from operations		(1,722)	(1,969)
Finance costs	4	(2,675)	(2,271)
Share of profits less losses of associates		<u>(15)</u>	<u>73</u>
Loss before taxation	5	(4,412)	(4,167)
Income tax	6	<u>–</u>	<u>–</u>
Loss for the period		<u>(4,412)</u>	<u>(4,167)</u>
Attributable to :			
Equity holders of the Company		(4,412)	(4,167)
Minority interests		<u>–</u>	<u>–</u>
		<u>(4,412)</u>	<u>(4,167)</u>
Loss per share – Basic	7	<u>(0.17 cents)</u>	<u>(0.16 cents)</u>
Loss per share – Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Non-current assets			
Interests in associates		91,494	91,509
Available-for-sale securities		<u>6,537</u>	<u>6,537</u>
		<u>98,031</u>	<u>98,046</u>
Current assets			
Trade receivables	8	–	–
Other receivables		396	396
Loan and interest receivables		39,510	39,510
Pledged deposit		40	40
Cash and cash equivalents		<u>3,893</u>	<u>34</u>
		<u>43,839</u>	<u>39,980</u>
Current liabilities			
Trade payables	9	4,273	4,000
Other payables		26,674	25,451
Bank and other borrowings		39,940	33,169
Obligations under finance leases		1	12
Tax payable		<u>48</u>	<u>48</u>
		<u>70,936</u>	<u>62,680</u>
Net current liabilities		<u>(27,097)</u>	<u>(22,700)</u>
Total assets less current liabilities		<u>70,934</u>	<u>75,346</u>
Non-current liabilities			
Bank and other borrowings		<u>1,800</u>	<u>1,800</u>
		<u>69,134</u>	<u>73,546</u>
Capital and reserves			
Share capital	10	256,116	256,116
Reserves		<u>(186,995)</u>	<u>(182,583)</u>
Total equity attributable to equity holders of the Company		69,121	73,533
Minority interests		<u>13</u>	<u>13</u>
		<u>69,134</u>	<u>73,546</u>

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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements should be read in conjunction with the 2006 audited 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 2006.

The following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include Hong Kong Accounting Standards and Interpretations) are adopted for the first time in the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The adoption of these new and revised 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		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	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	-	-	-	-	-	-	-	-
Intersegment sales	-	-	-	-	-	-	-	-
Other revenue and net income from external customers	-	40	-	-	-	-	-	40
Total	-	40	-	-	-	-	-	40
Segment results	(322)	(191)	(5)	(35)	-	-	(327)	(226)
Unallocated operating expenses							(1,395)	(1,743)
Loss from operations							(1,722)	(1,969)
Finance costs							(2,675)	(2,271)
Share of profits less losses of associates							(15)	73
Loss before taxation							(4,412)	(4,167)
Income tax							-	-
Loss for the period							(4,412)	(4,167)

	Property investment and development		Financial services		Unallocated corporate assets and liabilities		Consolidated	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities								
Segment assets	6,547	6,600	39,512	39,512	-	-	46,059	46,112
Interests in associates	91,494	91,509	-	-	-	-	91,494	91,509
Unallocated corporate assets	-	-	-	-	4,317	405	4,317	405
Total assets	98,041	98,109	39,512	39,512	4,317	405	141,870	138,026
Segment liabilities	10,552	10,243	19	19	-	-	10,571	10,262
Unallocated corporate liabilities	-	-	-	-	62,165	54,218	62,165	54,218
Total liabilities	10,552	10,243	19	19	62,165	54,218	72,736	64,480

(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		Mainland China		Malaysia		Consolidated	
	For the six months		For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June		ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information								
Segment assets	<u>43,402</u>	<u>32,447</u>	<u>-</u>	<u>-</u>	<u>98,468</u>	<u>105,579</u>	<u>141,870</u>	<u>138,026</u>
Segment liabilities	<u>62,445</u>	<u>54,402</u>	<u>-</u>	<u>-</u>	<u>10,291</u>	<u>10,078</u>	<u>72,736</u>	<u>64,480</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	2,675	519
Other loans wholly repayable beyond five years	-	1,752
	<u>2,675</u>	<u>2,271</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Staff cost (including directors' remuneration)		
- Contributions to defined contribution retirement plan	3	11
- Salaries, wages and other benefits	<u>518</u>	<u>272</u>
	<u><u>521</u></u>	<u><u>283</u></u>

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 2007 and 2006.

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 2007 and 2006.

The Group did not have material unprovided deferred tax as at the balance sheet date.

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 2007 of approximately HK\$4,412,000 (2006: HK\$4,181,000) and on the weighted average of 2,561,167,000 (2006: 2,561,167,000) shares in issue during the period.

Diluted loss per share for the periods ended 30 June 2007 and 30 June 2006 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, are as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current	-	-
1-3 months	-	-
3-12 months	-	-
Over 1 year	<u>14,937</u>	<u>14,937</u>
	14,937	14,937
Less : Impairment	<u>(14,937)</u>	<u>(14,937)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

9. TRADE PAYABLES

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current	273	-
4-6 months	-	-
7-12 months	-	-
Over 1 year	<u>4,000</u>	<u>4,000</u>
	4,273	4,000
	<u><u>4,273</u></u>	<u><u>4,000</u></u>

10. SHARE CAPITAL

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Authorised:		
4,000,000,000 (2006: 4,000,000,000) ordinary shares of HK\$0.10 each	<u><u>400,000</u></u>	<u><u>400,000</u></u>
Issued and fully paid:		
2,561,166,921 (2006: 2,561,166,921) ordinary shares of HK\$0.10 each	<u><u>256,116</u></u>	<u><u>256,116</u></u>

11. OPERATING LEASE COMMITMENTS

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

12. LITIGATION

(a) Industrial and Commercial International Capital Limited ("ICIC")

In 2003, the Group defaulted the repayments of the borrowings due to ICIC. ICIC formally demanded the Company for the immediate repayment of the borrowings in full together with accrued interest thereon. However, the Company was not able to make full repayment to ICIC. As a consequence, on 20 July 2004, an action was commenced by ICIC against the Company as 1st defendant for the immediate full repayment of the outstanding borrowings of approximately HK\$6,499,000 together with interest thereon of approximately HK\$447,000, cost and/or the relief. The action was also made against the Company's director, Mr. Kong Li Szu as 2nd defendant under a guarantee given by the director in favour of ICIC in respect of the borrowings granted to the Company. This case was heard by The High Court of The Hong Kong Special Administrative Region on 8 November 2004 and judgement was issued in favour of ICIC. The Company was required to repay the said bank borrowings in full together with the interest thereon and to bear the litigation expense.

Following the Group's default in the settlement of the judgement debt, a winding-up petition was filed by ICIC against the Company on 13 December 2005. In April 2006, the Company entered into a settlement agreement with ICIC whereby the Company agreed to repay ICIC by monthly instalment of HK\$200,000 each commencing from May 2006 until the resumption of trading in the shares of the Company in the Stock Exchange when the then remaining balance will have to be settled by six equal monthly instalments and the winding-up petition will be dismissed. However, from May 2006 to February 2007, the Company has only repaid to ICIC an amount of approximately HK\$630,000. No action has been taken by ICIC in respect of the Group's default in repayment in accordance with the settlement agreement.

In February 2007, the then outstanding balance of approximately HK\$6,939,000 in relation to the bank borrowings together with interest thereon and the litigation expense due by the Company to ICIC was assigned by ICIC to an independent third party.

(b) Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (“Public Bank”)

In 2003, Xswim Technology Limited (“Xswim Technology”), a non-wholly owned subsidiary of the Company, defaulted the repayments of certain bank borrowings due to Public Bank. Public Bank formally demanded Xswim Technology for the immediate repayment of the borrowings in full together with accrued interest thereon. However, Xswim Technology was not able to make full repayment to Public Bank. As a consequence, on 11 February 2004, an action was commenced by Public Bank against Xswim Technology as 1st defendant for the immediate full repayment of approximately US\$725,000 (equivalent to approximately HK\$5,655,000) together with interest thereon, costs and/or other relief. The action was also made against the Company as 2nd defendant and the Company’s director, Mr. Kong Li Szu (“Mr. Kong”) as 3rd defendant under guarantees given by the Company and Mr. Kong in favour of Public Bank in respect of the bank borrowings granted to Xswim Technology. This case was heard by The High Court of The Hong Kong Special Administrative Region on 31 May 2004 and judgement was issued in favour of Public Bank. Xswim Technology was required to repay the said bank borrowings in full together with the interest thereon and to bear the litigation expense. At 30 June 2007, the outstanding bank borrowings, interest thereon and litigation expense in total due to Public Bank were approximately HK\$3,577,000.

On 15 June 2004, the Group received a statutory demand from the solicitors of Public Bank, demanding for the payment of the then outstanding amounts together with interest thereon within 21 days from 15 June 2004. Up to the date of approval of the report, the said 21 day period has already expired but no winding up proceedings have been commenced by Public Bank.

Pursuant to a revocable deed of assignment entered into between Best Spot Investments Limited, a wholly-owned subsidiary of the Company, and Public Bank dated 20 November 2005, the Group agreed to assign RMB6,000,000 (equivalent to approximately HK\$5,607,000) from its right, title and interest in the Group’s consideration receivables due from Beijing Tianheng Property Development Joint Stock Company Limited (“Beijing Tianheng”) to Public Bank as collateral of the borrowings together with the interest thereon and litigation expense due to Public Bank. However, Beijing Tianheng delayed the repayments. Up to the date of approval of the report, Public Bank has not received any payment from Beijing Tianheng.

On 23 May 2007, Public Bank agreed to withhold legal actions against Xswim Technology, the Company and Mr. Kong for three months commencing from 23 May 2007.

On 17 August 2007, the Group and Public Bank reached an arrangement whereby after the Group would pay Public Bank a sum of approximately HK\$3,067,000 by 2 instalments that the first instalment of approximately HK\$1,533,000 is payable on 17 August 2007 and the remaining balance of approximately HK\$1,534,000 is payable on the day of the resumption of trading of the shares of the Company on the main board of the Stock Exchange or 15 November 2007 whichever is earlier, Public Bank would waive the remaining balance. On 17 August 2007, the Group repaid to Public Bank an amount of approximately HK\$1,533,000.

(c) DBS Bank (Hong Kong) Limited (“DBS”)

In 2005, the Group defaulted the repayments of the borrowings due to DBS. DBS formally demanded the Company for the immediate repayment of the borrowings in full together with accrued interest thereon. However, the Company was not able to make full repayment to DBS. As a consequence, on 21 December 2005, an action was commenced by DBS against the Company as 1st defendant for the immediate full repayment of the outstanding borrowings of approximately HK\$2,710,000 together with interest thereon of approximately HK\$617,000 up to 21 December 2005 cost and/or the relief. The action was also made against the Company’s two former subsidiaries as 2nd defendant and 3rd defendant under guarantees given by these two former subsidiaries in favour of DBS in respect of the borrowings granted to the Company. This case was heard by The High Court of The Hong Kong Special Administrative Region on 29 January 2007 and judgement was issued in favour of DBS. The Company was required to repay in full the said bank borrowings together with the interest thereon and to bear the litigation expense. By a deed of settlement dated 29 June 2007, the Group repaid approximately HK\$2,939,000 to DBS as full and final settlement.

(d) A potential investor

Pursuant to the agreements dated 13 April 2005 and 10 October 2005, an independent third party (the “Potential Investor”) granted the Company a credit facilities of HK\$5,000,000 which are secured by corporate guarantees executed by shareholders of the Company, Kong Fa Holdings Limited and Kong Sun Enterprises Sdn. Bhd., and had the right to require the Company to immediately repay the then outstanding borrowings, if the Company cannot resume trading in its shares in the Stock Exchange within 180 days from 10 October 2005. In April 2006, when the trading in the shares of the Company in the Stock Exchange was not resumed, the potential investor demanded the full repayment by the Company of the then outstanding borrowings of approximately HK\$3,136,000 but the Company defaulted the repayments.

On 13 September 2006, an action was commenced by a Potential Investor against the Company and Mr. Kong Li Szu (“Mr. Kong”), a director of the Company. Pursuant to the statement of claim dated 13 September 2006 (the “First Statement”), the Potential Investor claimed for the immediate full repayment of approximately HK\$3,136,000 together with costs against (i) the Company as 1st defendant and (ii) Mr. Kong as 2nd defendant under alleged guarantee given by Mr. Kong in favour of the Potential Investor in respect of the borrowings granted to the Company. The First Statement was amended on 4 December 2006 (the “Second Statement”). Pursuant to the Second Statement, the alleged claim under the First Statement was amended to approximately HK\$578,000 after Mr. Kong placed with the Potential Investor deposits of approximately HK\$2,558,000. In April 2007, the Company repaid to the Potential Investor an amount of approximately HK\$350,000. On 16 May 2007, the Potential Investor, the Company and Mr. Kong entered into a deed of settlement whereby in consideration of the Company paying the Potential Investor an amount of approximately HK\$350,000, the Potential Investor agreed to waive the remaining balance of approximately HK\$228,000 and dismiss the First Statement and the Second Statement.

(e) 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.

(f) 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.

(g) 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. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

With the advices by the Company’s external legal adviser, the directors are of the opinion that the Group has proper and valid defences to this action in that Kong Sun Resources has never made the alleged guarantee to Koffman Securities and accordingly the Group had no legal or financial obligations to Koffman Securities in respect of the alleged claims. Accordingly, no provision for commitment or loss has been accounted for in these financial statements.

(h) Legal service provider

On 15 June 2006, an action was commenced by a creditor of the Group (the “Creditor”) which rendered legal services in 2004 and 2005 to the Group, against Kong Sun Resources as 1st defendant, a wholly owned subsidiary of the Company, and Mr. Kong Li Szu (“Mr. Kong”) as 2nd defendant, a director of the Company, for an immediate full repayment of the services fee of approximately HK\$334,000 together with interest, cost and/or other relief.

On 15 June 2006, another action was commenced by the Creditor against the Company as 1st defendant, Mr. Kong as 2nd defendant and the personal representative for the estate of Kong Look Sen as 3rd defendant for an immediate full repayment of the services of approximately HK\$867,000 together with interest, cost and/or other relief.

In March 2007, the Group and the Creditor reached an agreement that, after the Group would pay the Creditor a sum of approximately HK\$850,000 by eight monthly instalments, the Creditor would waive the remaining balance.

From March 2007 to 30 June 2007, the Group repaid a sum of approximately HK\$750,000 to the Creditor.

(i) Valuation service provider

In 2004, the Company defaulted the payment of valuation fee due to a service provider. On 2 February 2005, an action was commenced by the service provider against the Company for approximately HK\$100,000 being overdue valuation fee together with interest, cost and/or other relief. Judgement was issued in favour of the service provider on 25 April 2005.

However, the Company defaulted the full payments of the judgement debt. The service provider presented a winding-up petition to The High Court of The Hong Kong Special Administrative Region on 21 December 2006 for the winding-up of the Company. On 21 February 2007, the Company and the service provider reached a settlement agreement whereby the Company agreed to pay the service provider approximately HK\$188,000 and the service provider agreed to withdraw the winding-up petition. An order for dismissal of the winding-up petition was granted by the court on 5 March 2007.

In February 2007, the Group repaid in full a sum of approximately HK\$188,000 to the service provider.

13. CONTINGENT LIABILITIES

(a) 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.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2007 (2006: 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 serious financial difficulties for the six months ended 30 June 2007 and the results under review generally reflected the situation. The Group had no turnover during the six months ended 30 June 2006 and loss attributable to shareholders was HK\$4,412,000 as compared to the amount of approximately HK\$4,181,000 in the last corresponding period. Improving the business operation and financial position 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 made turnover of the Group hover at low level.

Other investment opportunities

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

Financial Review

As at 30 June 2007, the total shareholders fund of the Group amounted to HK\$69 million, compared to HK\$73.5 million as at 31 December 2006. The debt ratio (based on total liabilities over the shareholders' equity) of the Group as at 30 June 2007 was 1.05 while the ratio as at 31 December 2006 was 0.88.

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 transacted in Hong Kong, the PRC, Singapore and Malaysia and its revenue and expenditure in HKD, RMB, SGD and MYR.

Prospects

The Group has only retained its property investment in Malaysia. As the operating income of the Group continues to shrink, focus for the year will be on resolving the financial difficulties encountered by the Group. The Group will actively seek for financial resources and restructure its existing liabilities so as to strengthen its financial base and will also restructure its existing operation to improve shareholder returns. On the other hand, 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 period ended 30 June 2007 (Details please see Material Acquisitions and Disposals of Investments). The injection of the new businesses plus the robust performance of the economy in Hong Kong, together with the improving conditions in Malaysia are expected to set the Group well on track to succeed in its restructuring and future development.

LIQUIDITY AND CAPITAL RESOURCE

As at 30 June 2007, the net asset value of the Group was HK\$69.1 million. The Group's total bank and other borrowings were increased by HK\$6.7 million from HK\$33.2 million as at 31 December 2006 to HK\$39.9 million as at 30 June 2007. The total bank and other borrowings of HK\$39.9 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 2007, the Group's debt ratio, which was calculated as a ratio of current liabilities plus non-current liabilities to total equity, was 1.05 which has no material change with that of the last financial year end for the six months ended in 30 June 2007, 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.

CAPITAL STRUCTURE

As at 30 June 2007, the Company had approximately 2,561 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$69 million. There has been no changes in the capital structure of the Company during the period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, 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.

ISSUE OF CONVERTIBLE BONDS

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 (the “Conditional Placing 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. 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 at any time during the period from the date of issue of the convertible bonds until the date of maturity of the convertible bonds; or
- the holders of the convertible bonds at any time during the period after the twenty-fourth month from the date of issue of the convertible bonds until the date of maturity of the convertible bonds.

The holders of the convertible bonds will have the conversion right as attached to the convertible bonds to convert any 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 adjustments. Upon the exercise of the conversion right, the holders of the convertible bonds will be entitled to a bonus issue of three bonus shares per conversion share. The conversion period commences from the date immediately following, the later of, the date of issue of the convertible bonds or the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in conversion shares and bonus shares, to the two business days immediately prior to the maturity of the convertible bonds (the “Conversion Period”).

On 19 September 2007, the Company and the Placing Agent entered into a supplemental agreement (the “Supplemental Agreement”) whereby both parties agreed to extend the long stop date from 30 September 2007 to 31 December 2007 or such other date as the parties may agree.

Pursuant to the Supplemental Agreement, the Company shall have the right at any time during the Conversion Period to mandatorily convert the whole of the outstanding principal amount of the convertible bonds into shares of the Company at the then applicable conversion price.

If any of the following conditions is not fulfilled at or before 5:00 p.m. on 31 December 2007 or such later time or the date as may be agreed in writing between the Placing Agent and the Company, the Placing Agent may, at any time thereafter, terminate its obligations under the Conditional Placing Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the Conditional Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof:

- the Stock Exchange granting the approval in principle to the resumption of trading in the shares of the Company following the completion of the resumption proposal of Company;

- the approval by the shareholders of the Company at an extraordinary general meeting to be convened and held for the purposes of approving the issue of the convertible bonds and the transactions contemplated thereunder; the allotment and issue of up to 1,000,000,000 shares of the Company falling to be issued on the exercise of the conversion rights attached to the convertible bonds; and the allotment and issue of up to 3,000,000,000 shares of the Company falling to be issued on the exercise of the conversion rights attached to the convertible bonds;
- 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 which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the convertible bonds; and
- the shareholders of the Company passing at an extraordinary general meeting of the Company the necessary resolution approving the increase of authorised shares capital from HK\$400,000,000 to HK\$4,000,000,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

During the six months ended 30 June 2007, the Group does not have material disposals of investments but have incurred the following material acquisitions of investments:

(i) Life-like plant business

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 (the “Tree CB Conversion Period”).

On 19 September 2007, Eternal Gain, Brightpower and the Company entered into a supplemental agreement whereby both parties agreed to extend the long stop date from 30 September 2007 to 31 December 2007 or such other date as the parties may agree. The parties also agreed to amend the terms of the convertible bonds by giving the Company a right to mandatorily convert all the outstanding convertible bonds at any time during the Tree CB Conversion Period, and change the Guaranteed Profit and Guaranteed NAV (as defined below) period from 30 June 2007 to 30 June 2008.

If any of the following conditions set out in the FT Agreement are not satisfied on or before 31 December 2007 or such later date as the parties may otherwise agree, the FT Agreement will automatically terminate with immediate effect and neither party thereto shall have any obligations and liabilities thereunder:

- the approval by shareholders of the Company of the FT Agreement and the transactions contemplated thereunder, including without limitation, the issue of the convertible bonds and the execution of the promissory note, in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and
- the Stock Exchange granting or agreeing to grant listing of and permission to deal in the conversion shares which is subject only to allotment and matters ancillary thereto.

In accordance with the FT Agreement, Brightpower agreed to warrant and guarantee to Eternal Gain that (i) the audited consolidated net profits after tax of FT Far East and FT China will, in aggregate, be not less than HK\$7,000,000 for the financial year ending 30 June 2008 (the “Guaranteed Profit”), and (ii) the audited consolidated net asset value of FT Far East and FT China as shown in the audited consolidated balance sheet of FT Far East and FT China as at 30 June 2008 will not, in aggregate, be less than HK\$70,000,000 (the “Guaranteed NAV”).

If (i) the actual aggregate audited consolidated net profits after tax of FT Far East and FT China for the financial year ending 30 June 2008 (the “Actual Profit”) is less than the Guaranteed Profit, or (ii) the actual audited consolidated net asset value of FT Far East and FT China as at 30 June 2008 (the “Actual NAV”) is less than the Guaranteed NAV, Brightpower shall set off the difference against the payment obligations of the Company under the promissory note issued by the Company on a dollar to dollar basis.

If FT Far East and FT China shall record in aggregate a consolidated loss for the year ending 30 June 2008, the Actual Profit shall be deemed to be nil. On the other hand, if the Actual Profit exceeds the Guaranteed Profit, no additional consideration will be payable to Brightpower.

If FT Far East and FT China shall record in aggregate a consolidated net liabilities position in the audited consolidated balance sheet as at 30 June 2008, the Actual NAV for such financial year shall for the purpose of this net asset value guarantee be deemed to be nil. On the other hand, if the Actual NAV exceeds the Guaranteed NAV, no additional consideration will be payable to Brightpower.

(ii) Property investment

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.

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 from 30 September 2007 to 31 December 2007 and to 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%.

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 3% 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 Vendor A.

If the following conditions, inter alia, are not satisfied on or before 4:00 p.m. on 31 December 2007, or such later date as the Vendors and the Purchaser may agree, the CK Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder:

- Lead Power being satisfied with the results of the due diligence review to be conducted;
- all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the CK Agreement and the transactions contemplated thereby having been obtained;
- the passing by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the CK Agreement and the transactions contemplated thereunder, including but not limited to the execution of the promissory note;
- the Purchaser having received from a firm of professional surveyors and valuers chosen by Lead Power a property valuation report on the properties held by CHL and KPIL showing that as at 15 June 2007 the value of the properties held by CHL and KPIL to be not less than the agreed amounts; and
- the representations, warranties and undertakings provided by the Vendors under the CK Agreement remaining true and accurate in all respects.

Lead Power may at any time waive any of the conditions set out above.

CORPORATE GOVERNANCE

The Company has complied 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 2007, with deviations from code provisions A.2.1 and A.4.1 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 separate 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.

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 2007.

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 granted by a bank / independent third party.

Pursuant to a loan facility letter dated 25 October 2002 between the Company and 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.

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

(i) At 30 June 2007, 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 51.9% of the Group's net assets at 30 June 2007. 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 2007, 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 provided for the period ended 30 June 2007.

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 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).

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 2007.

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 and Mr. Kong Li Szu; three independent non-executive directors, namely, Mr. Chan Chiu Hung, Alex, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen.

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

Hong Kong, 12 October 2007