KONG SUN HOLDINGS LIMITED
江山控股有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 295)

2005 RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Kong Sun Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 with comparatives figure for the year ended 31 December 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2005**	2004 (restated)
		HK$'000	*HK$'000*
Continuing operations			
Turnover	*3*	**221**	12,269
Other revenue	*4*	**614**	916
Other net income	*4*	**–**	741
Cost of properties sold		**(102)**	(8,268)
Valuation losses on investment property		**–**	(982)
Staff costs		**(1,143)**	(2,786)
Depreciation and amortisation		**(40)**	(295)
Other operating expenses		**(85,020)**	(23,775)
Write down of property development		**(2,080)**	–
Loss from operations		**(87,550)**	(22,180)
Finance costs		**(4,360)**	(4,460)
Share of profits less losses of associates		**(7,831)**	(3,896)
Loss before taxation	*6*	**(99,741)**	(30,536)
Taxation	*7*	**–**	–
Loss for the year from continuing operations		**(99,741)**	(30,536)
Discontinued operations			
Profit for the year from discontinued operations		**–**	373
Loss for the year		**(99,741)**	(30,163)
Attributable to:			
Equity holders of the Company		**(99,735)**	(29,962)
Minority interests		**(6)**	(201)
Loss for the year		**(99,741)**	(30,163)
(Loss)/Earnings per share – basic	*8*		
From continuing and discontinued operations		**(3.89 cents)**	(1.17 cents)
From continuing operations		**(3.89 cents)**	(1.18 cents)
From discontinued operations		**–**	0.01 cents

CONSOLIDATED BALANCE SHEET

	Notes	2005 HK$'000	2004 HK$'000
Non-current assets			
Fixed assets			
– Investment property		**–**	15,666
– Property, plant and equipment		**–**	155
		–	15,821
Land lease payments		**–**	244
Goodwill		**–**	–
Interest in associates		**88,572**	96,403
Available-for-sale securities		**6,537**	6,537
Consideration receivables		**–**	59,988
		95,109	178,993
Current assets			
Properties development		**–**	2,188
Land lease prepayments		**–**	11
Trade and other receivables	*11*	**414**	2,580
Loan and interest receivables		**39,510**	39,510
Consideration receivables		**2,771**	18,691
Pledged deposits		**37**	37
Cash and cash equivalents		**82**	862
		42,814	63,879
Current liabilities			
Trade and other payables	*12*	**25,398**	19,763
Bank and other borrowings		**30,404**	43,053
Obligations under finance		**19**	6
Tax payable		**48**	48
		(55,869)	(62,870)
Net current (liabilities)/assets		**(13,055)**	1,009
Total assets less current liabilities		**82,054**	180,002
Non-current liabilities			
Bank and other borrowings		**(1,800)**	–
Obligations under finance lease		**–**	(15)
		(1,800)	(15)
NET ASSETS		**80,254**	179,987
CAPITAL AND RESERVES			
Share capital		**256,116**	256,116
Reserves		**(175.876)**	(76,149)
		80,240	179,967
Total equity attributable to equity holders of the Company			
Minority interests		**14**	20
TOTAL EQUITY		**80,254**	179,987

Notes:

1. BASIS OF PRESENTATION

The Group sustained consolidated loss attributable to equity holders of the Company of approximately HK$99,735,000 for the year ended 31 December 2005. At 31 December 2005, the Group had consolidated net current liabilities of approximately HK$13,055,000. The Group experienced financial difficulties and has defaulted in the repayments of certain bank and other borrowings. As at 31 December 2005, the bank and other borrowings of approximately HK$26,383,000 and the interest thereon of approximately HK$5,869,000 are immediately due for repayment in full on demand. Various lawsuits have been taken against the Group from a number of bankers and creditors for the repayment of the amounts due by the Group.

The directors are of the opinion that the Group is able to continue as a going concern and to meet in full its financial obligations as and when they fall due. In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis:

(a) The directors continue to implement cost control measures over overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(b) Kong Sun Enterprise Sdn. Bhd. and Kong Fa Holding Limited, shareholders of the Company, have undertaken to provide continuous financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Group.

(c) The directors are considering various alternatives to strengthen the capital base of the Group through various fund raising exercises.

(d) The Group is actively negotiating with its bankers and creditors with a view to reschedule the repayment terms of its indebtedness. Nevertheless, the Group is also actively exploring the availability of alternative sources of financing should its negotiations with its current bankers and creditors not be fully successful.

In the opinion of the directors, in light of all the measures taken, the Group will have cash resources to satisfy its future working capital and other financial requirements to maintain the Group as a going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity position as at 31 December 2005.

Should the Group be unable to continue as a going concern, adjustments would have to be made restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005.

The following sets out information on the significant changes in accounting policies for the current and prior accounting years reflected in these financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 26	Accounting and Reporting by Retirement Benefit Plans
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 26, 27, 28, 31, 32, 33, 36, 37, 38 and 39, HKFRS 5, HK-Int 3 and HKAS-Int 21 has had no material impact on the Group's accounting policies and the methods of computation, presentation and disclosures in the Group's consolidated financial statements. The major effects on adoption of the other HKFRSs are summarised as follows:

(a) Changes in presentation (HKAS 1 – Presentation of Financial Statements)

(i) Comparative information on movements in property, plant and equipment (HKAS 1 – Presentation of Financial Statements)

HKAS 1 requires the new disclosures to be made in these financial statements. Accordingly, the Group is no longer permitted not to disclose comparative information on movements in property, plant and equipment.

(ii) Disclosure of judgements and key assumptions (HKAS 1 – Presentation of Financial Statements)

HKAS 1 requires the disclosure of judgements (apart from those involving estimations) and key assumptions concerning the future and other sources of estimation uncertainty. Commitments of the Group have been disclosed clearly in this respect.

(iii) Presentation of shares of associates' taxation (HKAS 1 – Presentation of Financial Statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively.

(iv) Minority interests (HKAS 1 – Presentation of Financial Statements and HKAS 27 – Consolidated and Separate Financial Statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the loss/profit attributable to shareholders (the equity holders of the Company).

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interest. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity holders of the Company.

(b) Leasehold land and buildings (HKAS 17 – Leases)

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and impairment loss. Following the adoption of HKAS 17, the Group's leasehold interest in land and buildings are separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and are reclassified from property, plant and equipments to land lease prepayments, while leasehold buildings continue to be classified as part of property, plant and equipment. Land lease prepayments under operating leases is initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

The effects of the above changes are summarised in notes(e) below. In accordance with the transitional provisions of HKAS 17, comparative amounts on the balance sheets for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(c) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets)

In prior periods:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. The effects of changes in the accounting policy described above on the results for the current and prior year are set out in note (f) below.

(d) Investment property (HKAS 40 – Investment property)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances, movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005, the Group has adopted a new policy for investment property. Under this new policy, all changes in the fair value of investment property are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

(ii) Description of transitional provisions and effect of adjustments

The changes in accounting policies relating to investment property have no material effect. In prior periods, where an increase previously been recognised in reserve was insufficient to cover a revaluation deficit subsequently arose, that decrease was charged to the income statement of approximately HK$982,000 for the year ended 31 December 2004.

(e) Definition of related parties (HKAS 24, related party disclosures)

As a result of the adoption of HKAS 24, *related party disclosures*, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, *related party disclosures*, still been in effect.

(f) The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

The Group	**As at 31 December 2004 (as previously reported)**	**Retrospective adjustments HKAS 1**	**HKAS 17**	**As at 31 December 2004 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items				
Property, plant and equipment	410	–	(255)	155
Land lease prepayments	–	–	255	255
Other net assets	179,577	–	–	179,577
Total effects on assets and liabilities	179,987	–	–	179,987
Share capital	256,116	–	–	256,116
Accumulated losses	(433,271)	–	–	(433,271)
Other reserves	357,122	–	–	357,122
Minority interests	–	20	–	20
Total effects on equity	179,967	20	–	179,987
Minority interests	20	(20)	–	–

(g) **The effects of changes in the above accounting policies described above on the results for the current and prior year are as follows;**

	2005	2004
	HK$'000	*HK$'000*
The adoption of HKFRS 3 and HKAS 38 that the Group no longer amortised its positive goodwill, resulted in:		
Increase in goodwill included in the interest in associates	**4,371**	–
Decrease in other operating expenses	**4,371**	–
Decrease in loss per share	**0.17 cents**	–

3. TURNOVER

	2005	2004
	HK$'000	*HK$'000*
Continuing operations:		
Gross rental income from investment properties	**119**	570
Gross proceeds from properties sold	**102**	8,134
Interest income from loan receivables	**–**	3,565
	221	12,269
Discontinued operations:		
Gross rental income from investment properties in the Mainland China	**–**	60
	221	12,329

4. OTHER REVENUE AND NET INCOME

	2005	2004
	HK$'000	*HK$'000*
Other revenue		
Continuing operations:		
Management fee income	**–**	718
Bank interest income	**9**	19
Sundry	**605**	179
	614	916
Discontinued operations:		
Sundry	**–**	139
	614	1,055

	2005	2004
	HK$'000	*HK$'000*
Other net income		
Gain on disposal of subsidiaries	**–**	3
Gain on strike off of subsidiaries	**–**	30
Gain on disposal of a short term investment	**–**	708
	–	741

5. 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.

Business segments
The Group is currently engaged in property investment and developments, and provision for financial services. The Group was also involved in securities broking and investment operations, and property investment and development in the PRC which were discontinued in 2004. These segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses is set out as follows:

For the year ended 31 December 2005

	Continuing operations				Discontinued operations				
	Property investment and development other than Mainland China	**Financial services**	**Inter-segment elimination**	**Sub-total**	**Property investment and development in Mainland China**	**Securities broking and investment**	**Inter-segment elimination**	**Sub-total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue									
Revenue from external customers	221	–	–	221	–	–	–	–	221
Other revenue and net income from external customers	605	–	–	605	–	–	–	–	605
Total	826	–	–	826	–	–	–	–	826
Segment result	(14,720)	(4)	–	(14,724)	–	–	–	–	(14,724)
Bank interest income and unallocated operating income				9				–	9
Unallocated operating expenses				(72,835)				–	(72,835)
Loss from operations				(87,550)				–	(87,550)
Finance costs				(4,360)				–	(4,360)
Share of profits less losses of associates	(7,831)			(7,831)				–	(7,831)
Loss before taxation				(99,741)				–	(99,741)
Taxation				–				–	–
Loss for the year				(99,741)				–	(99,741)

	Continuing operations			Discontinued operations			
	Property investment and development other than Mainland China	Financial services	Sub-total	Property investment and development in Mainland China	Securities broking and investment	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities							
Segment assets	9,416	39,512	48,928	–	–	–	48,928
Interests in associates	88,572	–	88,572	–	–	–	88,572
	97,988	39,512	137,500	–	–	–	137,500
Unallocated corporate assets			423	–	–	–	423
Total assets			137,923	–	–	–	137,923
Segment liabilities	6,085	19	6,104	–	–	–	6,104
Unallocated corporate liabilities	–	–	51,565	–	–	–	51,565
Total liabilities	6,085	19	57,669	–	–	–	57,669
Other information							
Depreciation of property, plant and equipment	33	–	33	–	–	–	33
Amortization of land lease prepayments	7	–	7	–	–	–	7
Impairment of:							
– trade receivables	645	–	645	–	–	–	645
– other receivables	1,344	–	1,344	–	–	–	1,344
– consideration receivables	75,908		75,908				75,908

For the year ended 31 December 2004

	Continuing operations				Discontinued operations				
	Property investment and development other than Mainland China (restated) *HK$'000*	Financial services *HK$'000*	Inter-segment elimination *HK$'000*	Sub-total *HK$'000*	Property investment and development in Mainland China (restated) *HK$'000*	Securities broking and investment *HK$'000*	Inter-segment elimination *HK$'000*	Sub-total *HK$'000*	Consolidated (restated) *HK$'000*
Segment revenue									
Revenue from external customers	8,704	3,565	–	12,269	60	–	–	60	12,329
Inter-segment revenue	–	2,065	(2,065)	–	–	–	–		–
Other revenue and net income from external customers	872	3	–	875	–	–	–	–	875
Total	9,576	5,633	(2,065)	13,144	60	–	–	60	13,204
Segment result	(12,265)	(2,493)	(2,065)	(16,823)	373	–	–	373	(16,450)
Bank interest income and unallocated operating income				180				–	180
Unallocated operating expenses				(5,537)				–	(5,537)
Loss from operations				(22,180)				373	(21,807)
Finance costs				(4,460)				–	(4,460)
Share of profits less losses of associates	(3,896)			(3,896)				–	(3,896)
(Loss)/profit before taxation				(30,536)				373	(30,163)
Taxation				–				–	–
(Loss)/profit for the year				(30,536)				373	(30,163)

	Continuing operations			Discontinued operations			
	Property investment and development other than Mainland China	Financial services	Sub-total	Property investment and development in Mainland China	Securities broking and investment	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities							
Segment assets	106,550	39,562	146,112	–	–	–	146,112
Interests in associates	96,526	–	96,526	–	–	–	96,526
	203,076	39,562	242,638	–	–	–	242,638
Unallocated corporate assets			234	–	–	–	234
Total assets			242,872	–	–	–	242,872
Segment liabilities	9,361	34	9,395	–	–	–	9,395
Unallocated corporate liabilities	–	–	53,490	–	–	–	53,490
Total liabilities	9,361	34	62,885	–	–	–	62,885
Other segment information							
Depreciation of property, plant and equipment	157	84	241	–	–	–	241
Depreciation of property, plant and equipment – unallocated	–	–	39	–	–	–	39
			280			–	280
Amortisation of land lease prepayments	15	–	15	–	–	–	15
Write-offs of other receivables	62	–	62	–	–	–	62
Write-offs of other receivables-unallocated	–	–	9	–	–	–	9
			71			–	71
Amortisation of goodwill on acquisition of associates	4,371	–	4,371	–	–	–	4,371
Valuation losses on investment property	982	–	982	–	–	–	982
Impairment of:							
– property, plant and equipment	131	–	131	–	–	–	131
– land lease prepayments	30	–	30	–	–	–	30
– other receivables	291	380	671	–	–	–	671
– consideration receivables	7,609	–	7,609	–	–	–	7,609
– loan and interest receivables	–	5,358	5,358	–	–	–	5,358
Capital expenditure incurred during the year	7	–	7	–	–	–	7

Geographical segments

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

	Hong Kong		The PRC Mainland China		Malaysia		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers								
– Continued operations	**119**	4,135	**–**	–	**102**	8,134	**221**	12,269
– Discontinued operations	**–**	–	**–**	60	**–**	–	**–**	60
	119	4,135	**–**	60	**102**	8,134	**221**	12,329
Segment assets								
– Continuing operations	**49,249**	135,262	**–**	–	**88,674**	107,610	**137,923**	242,872
	49,249	135,262	**–**	–	**88,674**	107,610	**137,923**	242,872
Segment liabilities								
– Continuing operations	**49,023**	60,415	**–**	–	**8,646**	2,470	**57,669**	62,885
	49,023	60,415	**–**	–	**8,646**	2,470	**57,669**	62,885
Capital expenditure incurred during the year								
– Continuing operations	**–**	–	**–**	–	**–**	7	**–**	7
	–	–	**–**	–	**–**	7	**–**	7

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting):

	2005	2004 (restated)
	HK$'000	*HK$'000*
(a) Finance costs		
Continuing operations:		
Interest on bank advances and other borrowings wholly repayable within five years	**4,358**	4,434
Finance charges on obligations under finance leases	**1**	26
Other borrowing costs	**1**	–
	4,360	4,460
(b) Staff costs (including directors' emoluments)		
Continuing operations:		
Contributions to defined contribution retirement plan	**29**	85
Salaries, wages and other benefits	**1,114**	2,701
	1,143	2,786
Discontinued operations:		
Contributions to defined contribution retirement plan	**–**	5
Salaries, wages and other benefits	**–**	140
	–	145
	1,143	2,931
(c) Other items		
Continuing operations:		
Amortization of land lease prepayments	**7**	15
Amortization of goodwill included in share of profits less losses of associates	**–**	4,317
Depreciation of property, plant and equipment		
– owned assets	**33**	239
– asset under a finance lease	**–**	41
	33	280
Auditors' remuneration	**453**	877
Operating lease charges: minimum lease payments	**235**	547
Share of taxation of the associates	**–**	164
Valuation losses on investment property	**–**	982
Loss on disposals of a subsidiary	**8**	–
Loss on disposals of property, plant and equipment	**–**	21
Impairment loss of		
– property, plant and equipment	**–**	131
– land lease prepayments	**–**	30
– loan and interest receivables	**–**	5,358
– consideration receivables		
– subsidiaries	**68,256**	7,609
– short term investment	**7,652**	–
	75,908	7,609
– trade receivables	**645**	–
– other receivables	**1,344**	671
Write-offs of other receivables	**–**	71
Cost of property development	**2,182**	8,268
Net foreign exchange loss	**305**	249
Rental receivable from investment properties less direct outgoings of HK$67,000 (2004: HK$212,000)	**(52)**	(358)
Discontinued operations:		
Rental receivable from investment properties less direct outgoings of nil (2004: HK$6,000)	**–**	(54)

7. INCOME TAX

(a) Continuing operations

For the year ended 31 December 2005 and 31 December 2004, no provision for Hong Kong profits tax has been made in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for that year.

No provision for overseas taxation has been made as the overseas subsidiaries had no estimated assessable profits arising from their jurisdictions during both years.

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005	2004 (restated)
	HK$'000	*HK$'000*
Loss before tax	**(99,741)**	(30,536)
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned (17.5%)	**(17,455)**	(5,344)
Tax effect of non-taxable income	**(64)**	(151)
Tax effect of non-deductible expenses	**17,313**	3,433
Tax effect of tax losses not recognised	**1,973**	2,567
Tax effect of utilization of tax losses not previously recognised	**–**	(281)
Tax effect of different taxation rates used in other jurisdictions	**(541)**	(111)
Others	**(641)**	(113)
Actual tax expense	**–**	–

(b) Discontinued operations

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years.

No provision for overseas taxation has been made as the overseas subsidiaries had no estimated assessable profits arising from their jurisdictions during 2005 and 2004. Taxation for overseas subsidiaries have been calculated based on the estimated assessable profits in the relevant countries at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005	2004 (restated)
	HK$'000	*HK$'000*
Profit before taxation	**–**	373
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned (17.5%)	**–**	65
Tax effect of non-taxable income	**–**	(74)
Effect of different taxation rates used in other jurisdictions	**–**	9
Actual tax expense	**–**	–

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of loss/earnings per share is based on the loss/earnings attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) (Loss)/Earnings attributable to ordinary equity holders of the Company

	2005	2004
	HK$'000	*HK$'000*
Continuing operations	**(99,735)**	(30,335)
Discontinued operations	**–**	373
	(99,735)	(29,962)

(ii) Weighted average number of ordinary shares

	2005	2004
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**2,561,167**	2,561,167

(b) Diluted (loss)/earnings per share

The diluted loss per share is not presented as there were no diluted potential ordinary shares in existence during the years ended 31 December 2005 and 2004.

9. FINAL DIVIDEND

The Board does not recommend to declare a dividend for the year ended 31 December 2005 at the forthcoming Annual General Meeting (2004: Nil).

10. SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 June 2003. No options under the new share option scheme have been granted to any person since its adoption.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables, the trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date.

	2005	2004
	HK$'000	*HK$'000*
Current	**–**	–
1 to 3 month overdue	**–**	237
More than 3 months overdue but less than 12 months overdue	**–**	47
Over 1 year	**–**	112
	–	396

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date.

	2005	2004
	HK$'000	*HK$'000*
Current	**–**	–
4 – 6 months	**877**	35
7 – 12 month	**–**	236
Over 1 year	**3,123**	4,338
	4,000	4,609

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

(1) Scope limitation – Prior year's audit scope limitation affecting opening balances and comparative figures

As detailed in auditors' report dated 16 June 2006, the auditors disclaimed their opinion on the Group's financial statements for the year ended 31 December 2004 because of the significance of the possible effects of the limitation in evidence made available to the auditors that, in particular, the auditors were unable to obtain sufficient and appropriate evidence to satisfy themselves as to whether the recoverability of an aggregate of outstanding consideration receivables of approximately HK$78,679,000 due from Beijing Tianheng Property Development Joint Stock Company Limited ("Beijing Tianheng") in relation to the Group's disposal of 80.1% and 10% interest in the registered capital of Kong Sheng Property Development Limited, were fairly stated and free from material misstatement. Although in January 2005, Beijing Tianheng defaulted the second payment of the consideration receivables of approximately HK$18,691,000, the directors of the Company remained confident that an aggregate of outstanding consideration receivables of approximately HK$78,679,000 could be recovered in full. The auditors were unable to obtain the financial information of Beijing Tianheng to satisfy themselves as to the ability of Beijing Tianheng to settle the consideration receivables. Any adjustments that might have found to be necessary in respect thereof had the auditors obtained sufficient and appropriate evidence would have had a consequential effect on (i) the net assets of the Company and the Group as at 31 December 2004, and (ii) the Group's loss and cash flows for the current year and the prior year and the related disclosures in the financial statements. In respect of the limitation of scope in prior year in the areas as described above, the auditors were not able to express their opinion as to whether the balances brought forward as at 1 January 2005 and the comparative figures were fairly stated in the financial statements.

(2) Scope limitation – Loan and interest receivables

As at 31 December 2005, the Group had loan receivables of approximately HK$39,510,000 stated net of an impairment of approximately HK$65,820,000 which was made in prior years, and had interest receivables of nil stated net of an impairment of approximately HK$10,352,000 which was made in prior years. In the opinion of the directors of the Company, the directors of the Company were not able to obtain adequate information in assessing the financial ability of the debtors and thus determined that an impairment of approximately HK$65,820,000 and approximately HK$10,352,000 against the outstanding loan receivables and interest receivables as at 31 December 2005 respectively were considered necessary. Due to the lack of sufficient and appropriate evidence, the auditors were not able to satisfy themselves as to whether the impairment determined by the directors of the Company against loan and interest receivables, and in consequence the carrying amount of the loan and interest receivables as at 31 December 2005 were fairly stated.

(3) Scope limitation – Consideration receivables

As at 31 December 2005, the Group had consideration receivables of approximately HK$2,771,000 stated net of an impairment of approximately HK$83,517,000, of which HK$75,908,000 was charged to the consolidated income statement for the year ended 31 December 2005 and HK$7,609,000 was made in prior years. In the opinion of the directors of the Company, the directors of the Company were not able to obtain adequate information in assessing the financial ability of the debtors in relation to the consideration receivables of approximately HK$7,609,000 and HK$75,908,000 due from Pioneer Heritage Sdn. Bhd. and Beijing Tianheng respectively, and thus determined that an impairment of approximately HK$83,517,000 against the outstanding consideration receivables as at 31 December 2005 was considered necessary. Due to the lack of sufficient and appropriate evidence, the auditors were not able to satisfy themselves as to whether the impairment determined by the directors of the Company against the consideration receivables, and in consequence the carrying amount of consideration receivables as at 31 December 2005 were fairly stated.

(4) Material uncertainties relating to going concern basis

In forming their opinion, the auditors have considered the adequacy of the disclosures made in note 1 in this announcement concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 1 in this announcement which indicated that the Group incurred consolidated loss attributable to equity holders of the Company of approximately HK$99,735,000 during the year ended 31 December 2005 and as of that date the Group reported net current liabilities of approximately HK$13,055,000, the financial statements have been prepared on a going concern basis, the validity of which depends upon the attainment of profitable and positive cash flow operations, the ongoing financial support by the shareholders of the Company, the availability of additional external funding and the favourable outcome of the negotiation in respect of rescheduling the repayment terms of the Group's indebtedness to ensure that adequate cash resources are available to meet the Group's future working capital and financial requirements. The auditors consider that appropriate disclosures have been made. However, in view of the existence of the material uncertainties in relation to the measures mentioned above that may cast significant doubt on the Group's ability to continue as a going concern, the auditors have disclaimed their opinion. The financial statements do not include any adjustments that would be necessary if the various measures as described above fail to take place. Any adjustment to the financial statements may have a consequential significant effect on the financial position of the Group as at 31 December 2006, the loss and cash flows of the Company or the Group for the year then ended and the related disclosures in the financial statements. Additionally, the auditors were not able to quantify the adjustments that would be required if these financial statements were not to be prepared on a going concern basis.

The auditors were not able to carry out alternative audit procedures to satisfy themselves as to the matters set out in paragraphs (1) to (3) above.

Any adjustments that might have found to be necessary in respect of the matters set out in paragraphs (1) to (3) would have a consequential effect on the financial position of the Company or the Group as at 31 December 2005, the loss and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

Qualification arising from limitation of audit scope

(A) Scope limitation – Property development

As at 31 December 2005, the Group had property development with a carrying value of nil stated net of write down of approximately HK$2,080,000, of which was charged to the consolidated income statement for the year ended 31 December 2005. With reference to the estimated selling price less estimated costs of completion and costs to be incurred in selling the property, the directors of the Company were in the opinion that the property development would be of nil value to the Group and made a write down of approximately HK$2,080,000 during the year ended 31 December 2005. Due to the lack of sufficient and appropriate evidence, the auditors were not able to themselves assess the reasonableness of the estimation and the auditors were not able to satisfy themselves as to whether the write down determined by the directors of the Company against the property development, and in consequence the carrying value of the property development as at 31 December 2005 were fairly stated.

(B) Scope limitation – General reserve

The disclosures as stipulated under paragraph 76(b) of Hong Kong Accounting Standard 1 Presentation of Financial Statement issued by the Hong Kong Institute of Certified Public Accountants in relation to the details of the nature and purposes of the general reserve of approximately HK$18,000,000 within equity have not been made in the financial statements.

The auditors were not able to carry out alternative audit procedures to satisfy themselves as to the matters set out in paragraphs (A) to (B) above.

Any adjustments that might have found to be necessary in respect of the matters set out in paragraphs (A) to (B) would have a consequential effect on the financial position of the Company or the Group as at 31 December 2005, the loss and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

Disclaimer of opinion: disclaimer on view given by the financial statements

Because of the significance of (i) the effects of the scope limitations in evidence made available to the auditors in each of the areas as set out in paragraphs (1) to (3) in the basis for disclaimer of opinion section and (ii) the material uncertainties relating to the going concern basis, the auditors do not express an opinion on the consolidated financial statements as to whether the directors give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

REPORT OF MATTERS UNDER SECTION 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the limitation on their work relating to matters described in the scope limitation paragraphs (1) to (3) and (A) to (B) above:

- the auditors have not obtained all the information and explanations that the auditors considered necessary for the purpose of their audit; and

- the auditors were unable to determine whether proper books of account had been kept.

LITIGATIONS

(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 HK447,000, 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 expenses.

However, the Group defaulted the full repayments 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 and the winding-up petition was dismissed accordingly.

Subsequent to the balance sheet date in February 2007, the bank borrowings together with interest thereon and the litigation expenses due by the Company to ICIC was assigned to an independent third party.

(b) DBS Bank (Hong Kong) Limited ("DBS")

In 2004, 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$3,327,000 together with interest thereon, 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 expenses.

However, the Group defaulted the full repayment of the judgement debt. Subsequent to the balance sheet date in June 2007, the bank borrowings together with interest thereon and the litigation expenses due by the Company to DBS had been fully settled.

(c) Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("Public Bank")

In 2003, Xswim Technology, a non-wholly owned subsidiary of the Company, defaulted the repayments of certain bank borrowings due to Public Bank. Public Bank formerly 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 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 expenses.

On 15 June 2004, the Group received a statutory demand from the solicitors for 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 financial statements, the said 21 day period has already expired but no winding up proceedings have been commenced by Public Bank.

In May 2007, the Company requested Public Bank to withhold legal action against Xswim Technology, the Company and Mr. Kong Li Szu until 21 August 2007.

Pursuant to the Deed of Assignment, the Group agreed to assign RMB6,000,000 (equivalent to approximately HK$5,607,000) of its right, title and interest in the Group's consideration receivable due from Beijing Tianheng to Public Bank as settlement of the borrowings together with the interest thereon and litigation expenses due to Public Bank. Up to the date of approval of the financial statements, Public Bank has not received any payment from Beijing Tianheng.

In addition, a sum of approximately HK$4,088,000, in relation to the bank borrowings of approximately HK$3,799,000 and interest thereon of approximately HK$309,000 due by Xswim Technology to Public Bank, was taken up in the financial statements of the Company for the year ended 31 December 2005 in respect of the guarantee issued by the Company in favour of Public Bank.

(d) A potential investor

On 13 September 2006, an action was commenced by the 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 guarantees 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 on 4 December 2006 (the "Second Statement"), after Mr. Kong placed with the Potential Investor deposits of approximately HK$2,558,000. On 16 May 2007, the Potential Investor, the Company and Mr. Kong entered into a deed of settlement that the Company would pay the Potential Investor approximately HK$350,000 in cash and the First Statement and the Second Statement were dismissed.

(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 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 by the Company which was dishonoured upon presentation of payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong Li Szu. A defence was filed by the Company on 19 January 2004. CYW had also filed a reply to defence on 17 February 2004. Up to the date of approval of the financial statements, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors, the Company had no legal or financial obligations to pay CYW. With the advices by the external legal counsel, 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, 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 HK207,000. 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.

A full provision of the unsettled amount of approximately HK$486,000 has been made in the financial statements. However, the Group has defaulted the settlement of the aforesaid amount. Up to the date of approval of the financial statements, no action has been taken by the Ex-landlord in respect of the default in repayments of the unsettled amount.

(g) Koffman Securities

On 13 May 2004, an action was commenced by Koffman Securities against Kong Sun Resources (as 1st defendant), a wholly owned subsidiary of the Company, and the Company's director, Mr. Kong Li Szu (as 2nd defendant) for specific performance of an option to repurchase certain investment properties of the Group (previously sold to the Group satisfied by the issuance of 56,000,000 ordinary shares of the Company (the "Consideration Shares")) for a consideration of HK$21,000,000. It is alleged that Kong Sun Resources and Mr. Kong gave an oral guarantee that, in the event that in a period of 36 months commencing from 10 June 2002 until all the Consideration Shares to be realized by Koffman Securities into cash in the market, the Consideration Shares were sold by Koffman Securities at a market price less than HK$3.75 per Consideration Shares, Kong Sun Resources would make good and pay to Koffman Securities so that Koffman Securities would receive not less than HK$0.375 per Consideration Share at the disposal of the Consideration Shares. Koffman Securities claimed 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 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 financial statements, this action is still in progress and no hearing date has been fixed.

With the advices by their external legal counsel, the directors are of the opinion that the Group has proper and valid defences to this action as the alleged option relied mainly oral agreement by the director which was denied. Accordingly, no provision for 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 paid the Creditor a sum of approximately HK$850,000, the Creditor would waive the remaining balance. A full provision of HK$850,000 has been accounted for in the financial statements.

(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, by which the Company would pay the service provider approximately HK$188,000 and the service provider would withdraw the winding-up petition. An order for dismissal of the winding-up petition was granted on 5 March 2007. A provision of HK$138,000 valuation fee has been accounted for in the financial statements, of which approximately HK$100,000 in relation to valuation fee and an aggregate of approximately HK$38,000 in relation to interest and litigation costs up to 31 December 2005.

CONTINGENT LIABILITIES

(a) Long service payments

At the balance sheet date, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$243,000 (2004: HK$243,000) as at 31 December 2005. The contingent liability has arisen because at the balance sheet, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances stipulated in the Hong Kong Employment Ordinance that an employer should pay long service payment when an employee who has been employed under a continuous contract for no less than 5 years:

(i) is dismissed by reason other than serious misconduct or redundancy;

(ii) is certified by a registered medical practitioner as permanently unfit for the present job and the employee resigns;

(iii) is aged 65 or above and the employee resigns; or

(iv) dies in service.

A partial provision of approximately HK$190,000 (2004: HK$190,000) has been recognised in these financial statements in respect of such possible payments, as in the opinion of the directors that it is not probable the entire long service payments will be materialised and the situation will result in material future outflow of resources from the Group.

(b) Banking facilities

The Company issued corporate guarantees to the extent of approximately HK$8,000,000 (2004: HK$17,000,000) in favour of banks for the banking facilities granted to certain subsidiaries of the Company. The total facilities utilised by the subsidiaries at 31 December 2005 amounted to approximately HK$4,088,000 (2004: HK$12,267,000). At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees of banking facilities granted to subsidiaries	**–**	–	**–**	12,267

(c) Champ Capital Limited

Pursuant to an exclusive franchisee agreement dated 1 January 2003 ("the Agreement") entered into between Xswim Technology, a non-wholly owned subsidiary of the Company, and Champ Capital Limited (the "Franchisee"), Xswim Technology agreed to buy back the underlying franchise licence at HK$15,000,000 upon termination of the Agreement, both in the case of normal or early termination, and guaranteed to spend HK$1,000,000 as merchandising assistance in form of advertising and promotion. As the Franchisee had breached the Agreement, Xswim Technology had terminated the Agreement with effect from 28 November 2003, although there were no clauses included in the Agreement that the breach would discharge the obligations of Xswim Technology to buy back the franchise licence and pay the merchandising assistance. No action has been taken by the Franchisee in respect of the abovementioned clause up to the date of approval of the financial statements.

With the advices by their external legal counsel, the directors are of the opinion that the Franchisee would not be able to exercise the option to resell the underlying franchise licence to the Group on the ground that the Agreement was likely to be void and not enforced by the courts of Hong Kong, at which the Agreement was construed, and accordingly, no provision for commitment or loss for the franchise licence and merchandising assistance has been accounted for in these financial statements.

NON-ADJUSTING POST BALANCE EVENTS

(a) On 16 February 2007 and 24 April 2007, the Company entered into a binding term sheet and conditional placing agreement (the "Placing Agreement") with the placing agent (the "Placing Agent") for the proposed issue of the 8% unsecured convertible bonds due in three years from date of issue in the amount of HK$100 million with the conversion price at HK$0.1 per conversion share. Every conversion share upon exercise of the conversion right attached to under the convertible bonds will be entitled to the bonus issue of three bonus shares. If any of the conditions referred to the Placing Agreement is not fulfilled at or before 5:00 p.m. on 30 September 2007 or such later time or date as may be agreed between the Placing Agent and the Company in writing, the Placing Agent may, at any time thereafter, terminate its obligations under the Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the 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 hereof.

(b) On 16 May 2007, the Company is placed into the third state of the delisting procedures in accordance with Practice Note 17 to The Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited Rules. 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 of 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 on the expiry of the six-month period from 16 May 2007 (i.e. 15 November 2007).

(c) On 19 May 2007, a subsidiary of the Company, the Company and Brightpower Assets Management Limited ("Brightpower"), an independent third party, entered into a conditional sale and purchase agreement (the "FT Agreement") that the said subsidiary will acquire the entire issued share capital of two companies, FT Far East Limited ("FTFE") and FT China Limited, held by Brightpower for a consideration of HK$1. In addition, upon date of completion of FT Agreement, Brightpower will assign to the said subsidiary all benefits and rights in respect of the indebtedness in the amount of HK$80,786,000 owed to Brightpower by FTFE for a consideration of HK$59,999,999. The aggregate consideration of HK$60 million will be settled by way of (i) 4% promissory note in principal amount of HK$20 million and (ii) convertible bonds in principal amount of HK$ 40 million to be issued by the Company to Brightpower. If any of the conditions set out in the FT Agreement has not been satisfied on or before 30 September 2007 or such later date as the parties may otherwise agree, the FT Agreement shall automatically terminate with immediate effect and neither party hereto shall have any obligations and liabilities hereunder. Such termination shall not affect the rights and obligations of both parties existing before termination.

(d) On 28 June 2007, a wholly-owned subsidiary of the Company as purchaser (the "Purchaser") entered into a conditional sale and purchase agreement (the "CK Agreement B") with two vendors (the "Vendors") whereby the Vendors agreed to sell and the Purchaser agreed to purchase all the issued shares of Coast Holdings Limited and Kingston Property Investment Limited at the consideration of HK$2 in aggregate. In addition, pursuant to the CK Agreement, one of the Vendors will at the date of completion of the CK Agreement assign all her benefits and rights in respect of the indebtedness in the amount of HK$41,476,252 owed to such Vendor by Coast Holdings Limited and Kingston Property Investment Limited in aggregate to the Purchaser at the consideration of HK$33,799,998. The aggregate consideration of HK$33.8 million will be settled by way of the Company executing upon the date of completion of the CK Agreement a promissory note at prime rate in an amount of HK$33.8 million to such Vendor its nominee as the Vendor may direct. The Purchaser may at any time waive in writing set out in the CK Agreement. If these conditions have not been satisfied on or before 4:00 p.m. on 30 September 2007, or such later date as the Vendors and the Purchaser may agree, the CK Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

(e) On 2 June 2006, a winding-up petition was filed by Mr. Cheung Yam Loi ("Mr. Cheung"), an ex-employee of Pacpo Investments, a wholly-owned subsidiary of the Company, to The High Court of The Hong Kong Special Administrative Region against Pacpo Investments for an amount of HKD220,000, representing the outstanding balance of judgment sum awarded to Mr. Cheung by the Labour Tribunal on 2 December 2005. In July 2006, the Company and Mr. Cheung reached a settlement agreement, by which the Company would pay HK$200,000 to Mr. Cheung, and subsequently the winding-up petition was dismissed.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

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

The Group has experienced serious financial difficulties for the year ended 31 December 2005 and the results under review generally reflected the situation. The Group recorded a consolidated turnover of HK$221,000 a dramatic decrease of over 98% as compared with that of last year. Loss attributable to shareholders has been broadened to HK$99,735,000 as compared to HK$29,962,000 recorded in last year. 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 recorded the total turnover of HK$221,000 accounted for approximately 17% of total revenue for the year. The lingering development progress in Malaysia and the poor quality 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 to and investment opportunity with potential to form a better foundation to improve the Group's performance in the future.

Financial Review

As at 31 December 2005, the total shareholders fund of the Group amounted to HK$80 million, compared to HK$180 million as at 31 December 2004. The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group as at 31 December 2005 was 0.72 while the ratio as at 31 December 2004 was 0.35.

Total bank and other borrowings amounted to HK$32.2 million and were mainly secured by legal charge on the Group's land and buildings, investment properties, time deposits and other forms of charges.

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. The robust performance of the PRC's economy, together with improving conditions in Hong Kong and Malaysia are expected to set the Group well on track to succeed in its restructuring and future development.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2005, the Group had total assets of HK$137,923,000 which were financed by current liabilities of HK$25,446,000, finance lease payables of HK$19,000, bank loans and other borrowings of HK$32,204,000, minority interests of HK$14,000 and shareholders' equity of HK$80,240,000. The Group's working capital ratio at the balance sheet date was approximately 0.77: 1.

For the year ended 31 December 2005, most assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars ("HK$") and Malaysian Ringgit ("MYR"). In view of the currency stability on MYR, it 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 31 December 2005, certain of the Group's time deposit in the amount of HK$37,000 (2004: HK$37,000) had been pledged to a bank to secure the Group's banking facilities.

CAPITAL STRUCTURE

As at 31 December 2005, the Company had approximately 2,561 million shares in issue with total shareholders' fund of the Group amounting to approximately HK$80 million. There has been no changes in the capital structure of the Company during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group has a total of 4 staffs located in Hong Kong and Malaysia. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

During the year ended 31 December 2005, there were no material acquisitions or disposals of subsidiaries or affiliated companies.

AUDIT COMMITTEE

The Audit Committee has three independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Group for the year ended 31 December 2005 with the management.

CORPORATE GOVERNANCE

The Company has compiled with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005, with deviations from code provisions A.2.1, A.4.1 and B.1 of the Code in respect of the service term and rotation of directors.

Under the code provision A.2.1, the role of Chairman and chief executive officer should be 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.

Under the code provision B.1, remuneration committee has to be set up by the Company. Despite no remuneration committee was formed during the year ended 31 December 2005, it has been established on 9 June 2006 with all the independent non-executive directors being members.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2005.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the year ended 31 December 2005.

CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

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

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

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

   At 31 December 2005, Kong Fa had pledged 596,052,085 ordinary shares of HK$0.10 each of the Company to secure the loan facility and the outstanding loan balance was approximately HK$7,025,000.

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

(i) At 31 December 2005, the Group had a loan receivable of approximately HK$39,510,000 and the accrued loan interest receivable of approximately HK$5,358,000 due from a shareholder of the Group's associate, United Victoria (the "Borrower"). Pursuant to the loan agreement, interest of the loan is chargeable at 4% over prime rate per annum. The loan is secured by a pledge of the 20% equity interest in United Victoria owned by the Borrower. The loan was originally due for repayment in 2003. The repayment date of the loan together with interest thereon was extended to June 2005. The loan receivable balance of HK$39,510,000 represented 49.2% of the Group's net assets at 31 December 2005. The Group is in the process of enforcing the repayment of the loan and interest receivables by realising the 20% equity interest in United Victoria secured thereto for settlement of the outstanding receivables.

(ii) At 31 December 2005, the Group had an amount of approximately HK$78,679,000 due from Beijing Tianheng, representing the net consideration receivable on disposal of 90.1% interest of the registered capital of Kong Sheng. This consideration receivable is unsecured and interest free and has been fully provided for the year ended 31 December 2005.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2005 annual report, as well as the announcement of the annual results, containing all relevant information required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, 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, Dr. Wong Yun Kuen, Ms. Lo Miu Sheung, Betty and Mr. Chan Chiu Hung, Alex.

By Order of the Board
Tse On Kin
Chairman

Hong Kong, 5 July 2007

Please also refer to the published version of this announcement in China Daily.