



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 295)

2007 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 2007 with comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover		–	–
Other revenue	5	1,744	40
Employee benefit expenses		(1,004)	(598)
Other operating expenses		(6,159)	(3,917)
Finance costs	6	(5,705)	(4,549)
Share of results of associates		(303)	(3,640)
Impairment loss recognised in respect of available for sale investment		(6,537)	–
Loss before tax		(17,964)	(12,664)
Income tax credit	7	48	–
Loss for the year	8	<u>(17,916)</u>	<u>(12,664)</u>
Attributable to:			
Equity holders of the Company		(17,915)	(12,663)
Minority interests		(1)	(1)
		<u>(17,916)</u>	<u>(12,664)</u>
Dividends		<u>–</u>	<u>–</u>
Loss per share			
Basic	9	<u>HK(0.70) cents</u>	<u>HK(0.49) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current asset			
Interests in associates		91,605	91,509
Available-for-sale investment		–	6,537
		<u>91,605</u>	<u>98,046</u>
Current assets			
Trade and other receivables	<i>10</i>	714	396
Loan and interest receivables		39,510	39,510
Consideration receivables		–	–
Pledged deposits		42	40
Bank balances and cash		953	34
		<u>41,219</u>	<u>39,980</u>
Current liabilities			
Trade and other payables	<i>11</i>	23,515	29,451
Bank and other borrowings-due within one year		4,570	33,169
Obligations under finance leases		–	12
Tax liabilities		–	48
		<u>28,085</u>	<u>62,680</u>
Net current assets (liabilities)		<u>13,134</u>	<u>(22,700)</u>
Total assets less current liabilities		<u>104,739</u>	<u>75,346</u>
Non-current liabilities			
Other payables – due after one year		11,761	–
Bank and other borrowings-due after one year		37,639	1,800
		<u>49,400</u>	<u>1,800</u>
NET ASSETS		<u>55,339</u>	<u>73,546</u>
CAPITAL AND RESERVES			
Share capital		256,116	256,116
Reserves		(200,789)	(182,583)
Total equity attributable to equity holders of the Company		55,327	73,533
Minority interests		12	13
TOTAL EQUITY		<u>55,339</u>	<u>73,546</u>

Notes:

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in the light of its thin bank position of approximately HK\$953,000 as at 31 December 2007 and suffered continuing incurred losses of approximately HK\$17,916,000 for the year ended 31 December 2007. The directors are satisfied that, the liquidity of the Group can be maintained in the coming year taking into consideration the arrangements which include, but not limited to, the followings:

- (a) the holding company and other investors of the Group have agreed to provide adequate financial support to the Group to enable it to meet in full all its financial obligations as they fall due in the foreseeable future;
- (b) Kingston Finance Limited, the existing creditor of the Group, has undertaken not to demand the repayment of secured other borrowings of approximately HK\$14,700,000 together with the interest payable of approximately HK\$10,379,000, totalling approximately HK\$25,079,000 as at 31 December 2007 until 29 April 2009;
- (c) Mr. Ng Leung Ho, the existing creditor of the Group, has undertaken not to demand the repayment of unsecured other borrowings of approximately HK\$22,939,000 together with the interest payables of approximately HK\$1,382,000, totalling approximately HK\$24,321,000 as at 31 December 2007 until 29 April 2009; and
- (d) the Company has entered into a placing agreement with a placing agent (the “Placing Agent”) for the issuance of convertible note of approximately HK\$125,000,000. The issuance of such convertible note is subject to the successful of the Company’s trading resumption and it is fully underwritten by the Placing Agent.

On the basis that ongoing support from the holding company, other investors and other creditors will continue to be in place, the directors consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1st January 2007.

Hong Kong Accounting Standard (“HKAS”) 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation (“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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)- Int 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC)- Int 12	Service Concession Arrangements ⁴
HK(IFRIC)- Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC)- Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 March 2007.

⁴ Effective for annual periods beginning on or after 1 January 2008.

⁵ Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. STATEMENT OF COMPLIANCE

These 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 requirements of the Hong Kong Companies Ordinance. These 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.

4. 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 development, and provision for financial services. These segments are the basis on which the Group reports its primary segment information.

For the year ended 31 December

	Property investment and development		Financial services		Consolidated	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Segment result	<u><u>(679)</u></u>	<u><u>(825)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(679)</u></u>	<u><u>(825)</u></u>
Bank interest income					-	1
Unallocated corporate operating income					1,744	39
Unallocated corporate operating expenses					(13,021)	(3,690)
Finance costs					(5,705)	(4,549)
Share of results of associates	(303)	(3,640)	-	-	<u><u>(303)</u></u>	<u><u>(3,640)</u></u>
Loss before tax					(17,964)	(12,664)
Income tax credit					<u><u>48</u></u>	<u><u>-</u></u>
Loss for the year					<u><u>(17,916)</u></u>	<u><u>(12,664)</u></u>

	Property investment and development		Financial services		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	438	6,600	39,512	39,512	39,950	46,112
Interest in associates	91,605	91,509	–	–	91,605	91,509
	<u>92,043</u>	<u>98,109</u>	<u>39,512</u>	<u>39,512</u>	<u>131,555</u>	137,621
Unallocated corporate assets					1,269	405
Total assets					<u>132,824</u>	<u>138,026</u>
Segment liabilities	<u>11,287</u>	<u>10,243</u>	<u>–</u>	<u>19</u>	11,287	10,262
Unallocated corporate liabilities					<u>66,198</u>	<u>54,218</u>
Total liabilities					<u>77,485</u>	<u>64,480</u>
OTHER INFORMATION						
Payables waived by the creditors	(1,730)	–	–	–	(1,730)	–
Impairment loss recognised in respect of available-for-sale investment	6,537	–	–	–	6,537	–
(Write-back) recognition of impairment loss recognised in respect of other receivables	<u>(14)</u>	<u>179</u>	<u>–</u>	<u>–</u>	<u>(14)</u>	<u>179</u>

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		Malaysia		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	–	–	–	–	–	–
Segment assets	25,540	32,447	127,284	105,579	132,824	138,026
Capital expenditure incurred during the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

5. OTHER REVENUE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank interest income	–	1
Payables waived by the creditors	1,730	–
Write-back of impairment recognised in respect of other receivable	14	–
Sundry	–	39
	<u>–</u>	<u>39</u>
	<u>1,744</u>	<u>40</u>

6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interests on		
– bank and other borrowings wholly repayable within five years	5,701	4,548
– finance leases	4	1
	<u>4</u>	<u>1</u>
	<u>5,705</u>	<u>4,549</u>

7. INCOME TAX CREDIT

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The amount represents:		
Hong Kong Profits Tax		
– overprovision in prior years	48	–
	<u>48</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made as companies within the Group did not generate any estimated assessable profits in Hong Kong for the two years ended 31 December 2007 and 2006.

No provision for overseas taxation has been made as the overseas subsidiaries has no estimated assessable profits arising from their jurisdictions for the two years ended 31 December 2007 and 2006.

At the balance sheet date, the Group has not recognised deferred tax assets in respect of cumulative unused tax losses of approximately HK\$140 million (2006: HK\$140 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses may be carried forward indefinitely.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Contributions to retirement benefit scheme (including director's contribution)	–	11
Auditors' remuneration	661	380
(Write-back) impairment loss recognised in respect of other receivables	(14)	179
Operating lease rental on rented premise	234	223

9. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to equity holders of the Company of HK\$17,915,000 (2006: HK\$12,663,000) and the weighted average number of 2,561,167,000 (2006: 2,561,167,000) ordinary shares in issue during the year.

No diluted loss per share has been presented for the two years ended 31 December 2007 and 2006 as there were no diluting events existed during those years.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are the trade debtors with the following aging analysis as of the balance sheet date:

	The Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
1-2 years	–	14,937
Over 2 years	14,937	–
	14,937	14,937
Less: Impairment loss recognised	(14,937)	(14,937)
	–	–

11. TRADE AND OTHER PAYABLES

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

	The Group	
	2007	2006
	HK\$'000	HK\$'000
1-2 years	–	4,000
Over 2 years	4,564	–
	4,564	4,000

INDEPENDENT AUDITOR'S REPORT

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Scope limitation – Prior year's audit scope limitation affecting opening balances

The financial statements of the Group for the year ended 31 December 2006 were audited by another firm of auditors whose report dated 10 September 2007 was disclaimed in respect of scope limitation of the consideration receivables with carrying amount of nil stated net of an impairment of approximately HK\$83,517,000 which was made in prior years.

We were not able to obtain sufficient reliable evidence to enable us to assess the accuracy of the impairment loss made on the respective consideration receivables for the year ended 31 December 2006 and whether the consideration receivables were fairly stated as at 31 December 2006. Any adjustments found to be necessary in respect of the above as at 31 December 2006 would have had a consequential impact on the opening balances of net assets of the Group as at 1 January 2007, its loss for the year ended 31 December 2007, and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of any adjustments to the loss of the Group for the year ended 31 December 2007, if any, that might have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of the Group and the Company's affairs as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to matter described in the scope limitation paragraph above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Emphasis of matters

Without qualifying our opinion, we draw attention to note 2 to the financial statements which indicates that the Group recorded a thin bank position of approximately HK\$953,000 as at 31 December 2007 and suffered continuing losses of approximately HK\$17,916,000 for the year ended 31 December 2007. In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure of the Group to obtain such future funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

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 (“Public Bank”)

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 installments that the first installment 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. In November 2007, the group repaid in full the bank borrowing to the Public Bank.

(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, the Potential Investor granted the Company a credit facilities of HK\$5,000,000 which were secured by corporate guarantees executed by shareholders of the Company, Kong Fa and KSE, 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, 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. The balance was fully repaid during the year ended 31 December 2007.

(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 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 this announcement, 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. As at 31 December 2007, 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 this announcement, 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, 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 this announcement, 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 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. For the year ended 31 December 2007, the Group repaid in full a sum of approximately HK\$850,000 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. The balance was settled in full during the year ended 31 December 2007.

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 this announcement.

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 this announcement.

(b) Corporate guarantees in respect of banking facilities granted to the subsidiary

As at 31 December 2006, the Company issued corporate guarantees to the extent of approximately HK\$8,000,000 in favour of banks for the banking facilities granted to a subsidiary of the Company. The total facilities utilised by the subsidiaries at 31 December 2006 amounted to approximately HK\$4,246,000. As at 31 December 2007, the banking facilities had been cancelled.

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 2007 and the results under review generally reflected the situation. Loss attributable to shareholders has been broadened to HK\$17,916,000 as compared to HK\$12,664,000 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. The lingering development progress in Malaysia and the lack of steady income-generating assets of the Group had resulted in the poor performance of the Group.

Other investment opportunities

Notwithstanding the continued deficit in our operating results, the Group has already identified new target of investment opportunities and will diversify its investment in manufacturing business as well as real estate markets and properties development in Hong Kong and Middle Asia respectively so as to form a better foundation to improve the Group's performance in the future.

Financial Review

As at 31 December 2007, the total shareholders fund of the Group amounted to approximately HK\$55.3 million, compared to approximately HK\$74 million as at 31 December 2006. The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group as at 31 December 2007 was 1.4 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 translated 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 manufacturing of plant-life business, (ii) real estate investment business in Hong Kong and (iii) property development business in Cambodian, during the year. The coming injection of the new businesses plus 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.

FINAL DIVIDEND

The Board does not recommend to declare a dividend for the year ended 31 December 2007 at the forthcoming Annual General Meeting (2006: Nil).

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.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2007, the Group had total assets of HK\$132,824,000 which were financed by current liabilities of HK\$28,085,000, other payables of HK\$11,761,000, bank loans and other borrowings of HK\$37,639,000, minority interests of HK\$12,000 and shareholders' equity of HK\$55,327,000.

CHARGE ON THE GROUP ASSETS

As at 31 December 2007, certain of the Group's time deposit in the amount of HK\$42,000 (2006: HK\$40,000) had been pledged to a bank to secure the Group's banking facilities.

CAPITAL STRUCTURE

As at 31 December 2007, the Company had approximately 2,561 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$55.3 million. There has been no change in the capital structure of the Company during the year.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2007, the Group had a total of 4 staffs. 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 and motivate individual performance.

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 report matters including a review of the audited financial statements for the year ended 31 December 2007 with the management.

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.

If any of the following conditions is not fulfilled on or before on 31 May 2008 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.
- On 24 April 2008, the Company and the Placing Agent entered into a supplemental agreement whereby the Company and the Placing Agent agreed to increase the aggregate principal amount of the convertible bonds from HK\$100,000,000 to HK\$125,000,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

During the year ended 31 December 2007, the Group does not have material disposals of investments but have incurred the following acquisitions:

(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.

If any of the following conditions set out in the FT Agreement are not satisfied on or before 31 May 2008 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 2007 (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 2007 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 2007 (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 2007 (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 2007, 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 2007, 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.

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

If the following conditions, inter alia, are not satisfied on or before 4:00 p.m. on 31 May 2008, 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.

(iii) Memorandum of understanding in respect of property development in Cambodia

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

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

Pursuant to the terms of the MOU, Elite Corner has the sole and exclusive right for the period from 10 April, 2008 up to the signing of the Formal Agreement or on 9 April, 2009, whichever is earlier (“Exclusivity Period”) to negotiate with Ms. Chau with a view to agreeing on the terms of and executing the Formal Agreement. During the Exclusivity Period, Ms. Chau will not, without prior consent of Elite Corner, enter into discussions or negotiations with, or provide any information concerning the Land or the Cooperation Project to any third party. Ms. Chau also undertakes that if the Parties fail to enter into the Formal Agreement within the Exclusivity Period for whatever reason, Ms. Chau shall fully reimburse Elite Corner 115% of any fees, costs and expenses arising from the Management Services already paid by Elite Corner.

Details of which are set out in the announcement dated 11 April 2008.

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 year ended 31 December 2007, with deviation from code provisions A.4.1 of the Code in respect of the service term and rotation of directors.

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 year ended 31 December 2007.

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 debt acquisition agreement dated 14 February 2007 between Mr. Ng Leung Ho ("Mr. Ng") and ICIC, the 596,052,085 ordinary shares of HK\$0.10 each, originally pledged to ICIC to secure a term loan facility of HK\$12 million, has been transferred by ICIC and pledged to Mr. Ng for a loan granted to the Company to repay the term loan facility granted by ICIC. At 31 December 2007, Kong Fa had pledged 596,052,085 ordinary shares of HK\$0.10 each of the Company to secure the loan of approximately HK\$6,939,000.

- b) Advance to entities under Rule 13.13 of the Listing Rules:
- (i) At 31 December 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 71% of the Group's net assets at 31 December 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 31 December 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 impaired during the year ended 31 December 2006.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2007 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, 29 April 2008