

**KongSun**  江山  
Kong Sun Holdings Limited



Interim Report 2004

# Condensed Consolidated Income Statement

For the six months ended 30 June 2004

The Board of Directors (the "Board") of Kong Sun Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 together with the comparative figures for the corresponding period in 2003 as follows:

		<b>For the six months ended 30 June</b>	
		<b>2004 (Unaudited)</b>	2003 (Unaudited) as restated (see note 2(a))
		<b>HK\$'000</b>	HK\$'000
	Notes		
<b>Turnover</b>	3	<b>4,079</b>	103,930
Other revenue	3	<b>560</b>	2,193
Cost of inventories sold/ properties pre-sold		<b>(1,134)</b>	(88,123)
Staff costs		<b>(1,346)</b>	(7,861)
Depreciation and amortisation		<b>(173)</b>	(3,730)
Other operating expenses		<b>(3,315)</b>	(6,178)
Loss on discontinuing operations	2(a)	–	(121,625)
<b>Loss from operations</b>	<b>4</b>	<b>(1,329)</b>	(121,394)
Finance costs		<b>(1,735)</b>	(4,534)
Share of results of associates		<b>(1,399)</b>	(6,564)
<b>Loss from ordinary activities before taxation</b>		<b>(4,463)</b>	(132,492)
Taxation	5	<b>(1)</b>	(934)
<b>Loss before minority interest</b>		<b>(4,464)</b>	(133,426)
Minority interests		<b>1</b>	234
<b>Net loss attributable to the shareholders</b>		<b>(4,463)</b>	(133,192)
<b>Loss per share – Basic</b>	<b>6</b>	<b>(0.17 cents)</b>	(5.20 cents)

# Condensed Consolidated Balance Sheet

At 30 June 2004

	Notes	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<b>Non-current assets</b>			
Fixed assets		714	880
Investment properties		18,528	27,117
Interests in associates		98,900	100,299
Long term investments		6,537	6,537
Loan and interest receivables		43,076	41,303
Consideration receivables on disposal of subsidiaries		59,945	78,636
		<b>227,700</b>	<b>254,772</b>
<b>Current assets</b>			
Short term investment		10,507	10,507
Properties held for sales		931	2,278
Trade receivables	7	1,849	539
Loan and interest receivable		–	2,783
Consideration receivables on disposal of subsidiaries		24,626	5,935
Other receivables		2,466	2,827
Pledged time deposits	8(a)	248	764
Cash and cash equivalents		118	857
		<b>40,745</b>	<b>26,490</b>
<b>Current liabilities</b>			
Trade and bills payables	9	2,709	5,221
Other payables		14,404	9,634
Tax payable		47	61
Finance lease payables		24	204
Interest-bearing bank and other borrowings		40,038	50,367
		<b>57,222</b>	<b>65,487</b>
<b>Net current liabilities</b>		<b>(16,477)</b>	<b>(38,997)</b>
<b>Total assets less current liabilities</b>		<b>211,223</b>	<b>215,775</b>

# Condensed Consolidated Balance Sheet (continued)

At 30 June 2004

	Notes	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Finance lease payables		–	21
Interest-bearing bank and other borrowings		5,548	5,987
		<b>5,548</b>	<b>6,008</b>
<b>Minority interests</b>			
		220	221
<b>NET ASSETS</b>			
		<b>205,455</b>	<b>209,546</b>
<b>Capital and Reserves</b>			
Share capital	10	256,116	256,116
Reserves		(50,661)	(46,570)
<b>SHAREHOLDERS' FUNDS</b>			
		<b>205,455</b>	<b>209,546</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital	Share premium account	Capital redemption reserve	General reserve	Investment property revaluation reserve	Exchange fluctuation reserve	Special reserve	Accumulated losses	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>At 1 January 2004</b>	<b>256,116</b>	<b>329,049</b>	<b>20</b>	<b>18,000</b>	<b>-</b>	<b>341</b>	<b>9,329</b>	<b>(403,309)</b>	<b>209,546</b>
Exchange realignment	-	-	-	-	-	372	-	-	372
Net loss for the period	-	-	-	-	-	-	-	(4,463)	(4,463)
<b>At 30 June 2004</b>	<b>256,116</b>	<b>329,049</b>	<b>20</b>	<b>18,000</b>	<b>-</b>	<b>713</b>	<b>9,329</b>	<b>(407,772)</b>	<b>205,455</b>
At 1 January 2003	256,116	329,049	20	18,000	483	(2,716)	-	(62,226)	538,726
Exchange realignment	-	-	-	-	-	(414)	-	-	(414)
Net loss for the period	-	-	-	-	-	-	-	(133,192)	(133,192)
At 30 June 2003	256,116	329,049	20	18,000	483	(3,130)	-	(195,418)	405,120

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	761	9,169
<b>NET CASH FROM INVESTING ACTIVITIES</b>	8,582	1,845
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(9,094)	(4,236)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	249	6,778
Cash and cash equivalents at beginning of period	(3,680)	(4,784)
Effects of foreign exchange rate changes, net	371	(123)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(3,060)</b>	<b>1,871</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	118	8,888
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	248	4,544
Bank overdrafts	(3,426)	(11,561)
	<b>(3,060)</b>	<b>1,871</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 December 2003.

## 2. RESTATEMENT OF COMPARATIVE FIGURES

- (a) The comparative figures of the condensed consolidated income statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2003 together with related notes to condensed consolidated financial statements have been restated to take into account of the loss of approximately HK\$121,625,000 in respect of the disposal of the Group's investment in 80.1% of the registered capital of Kong Sheng Property Development Limited (the "Disposal") during the six months ended 30 June 2003 which was not reported in the interim report of the Group for the six months ended 30 June 2003. Details of the Disposal are set out in the Group's annual report for the year ended 31 December 2003.
- (b) Save for the aforesaid, certain comparative figures have been restated to segregate continuing and discontinued/discontinuing operations.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 3. SEGMENT INFORMATION

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

	Continuing operations				Discontinued/Discontinuing operations								Consolidated	
	Property investment and development		Financial services		Trading of computer products and office equipment		Information technology		Securities broking and investment		Eliminations			
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June			
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:														
Sales to external customers	2,306	8,482	1,773	5,883	-	89,545	-	20	-	-	-	-	4,079	103,930
Intersegment sales	-	1,068	1,033	5,345	-	-	-	2	-	-	(1,033)	(6,415)	-	-
Other revenue	453	668	3	2	-	192	-	-	-	-	-	-	456	862
<b>Total</b>	<b>2,759</b>	<b>10,218</b>	<b>2,809</b>	<b>11,230</b>	<b>-</b>	<b>89,737</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>(1,033)</b>	<b>(6,415)</b>	<b>4,535</b>	<b>104,792</b>
Segment results	(554)	1,667	665	6,765	-	(52)	-	(941)	-	-	(1,033)	(6,415)	(922)	1,024
Bank interest income and unallocated gains													104	1,331
Unallocated and corporate													(511)	(123,749)
Loss from operations													(1,329)	(121,394)
Finance costs													(1,735)	(4,534)
Share of results of associates													(1,399)	(6,564)
Loss from ordinary activities before taxation													(4,463)	(132,492)
Taxation													(1)	(934)
Loss before minority interests													(4,464)	(133,426)
Minority interests													1	234
<b>Net loss attributable to the shareholders</b>													<b>(4,463)</b>	<b>(133,192)</b>



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 4. LOSS FROM OPERATIONS

The Group's loss from operations is stated after charging/(crediting) the following:

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold/properties pre-sold	1,134	88,123
Depreciation	173	1,759
Amortisation of goodwill	–	1,971
Negative goodwill recognised as income	–	(344)
Bank interest income	–	(23)

## 5. TAXATION

The amounts of taxation charged to the income statement represents:

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	1	–
Elsewhere	–	934
	1	934

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) based on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to the shareholders for the period of approximately HK\$4,463,000 (2003: HK\$133,192,000 (restated)) and the weighted average of approximately 2,561,167,000 (2003: 2,561,167,000) ordinary shares in issue during the period.

Diluted loss per share for the periods ended 30 June 2004 and 30 June 2003 have not been shown as there were no dilutive potential ordinary shares during those periods.

## 7. TRADE RECEIVABLES

The aged analysis of trade receivables at the balance sheet date, based on invoice date, is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Current	75	423
1 – 3 months	1,056	397
4 – 6 months	176	253
7 – 12 months	542	10,056
Over 1 year	14,292	3,735
	16,141	14,864
Less: Provision	(14,292)	(14,325)
Total, net of provision	1,849	539

Invoices are normally payable within 30 days of issuance. The Group seeks to maintain strict control over its outstanding receivables; overdue balances are regularly reviewed by senior management.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 8. PLEDGE OF ASSETS

At 30 June 2004, the following assets of the Group were pledged to secure its bank and other borrowings:

- (a) Time deposits of approximately HK\$248,000 (31 December 2003: HK\$764,000) were pledged to secure its bank borrowings.
- (b) Investment properties situated in Hong Kong in an aggregate carrying value of approximately HK\$18,350,000 (31 December 2003: HK\$26,939,000) to secure its bank borrowings.
- (c) Approximately 596,052,000 ordinary shares of HK\$0.10 each of the Company owned by Kong Fa Holding Limited.
- (d) Other loans of approximately HK\$13,700,000 due to a financial institution are secured by the charge over all the issued share capital in Best Spot Investments Limited, a wholly-owned subsidiary of the Group.

## 9. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables at the balance sheet date, based on payment due date, is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Current	–	1,500
Over 6 months	2,709	3,721
	<b>2,709</b>	<b>5,221</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 10. SHARE CAPITAL

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Authorised: 4,000,000,000 (2003: 4,000,000,000) ordinary shares of HK\$0.10 each	400,000	400,000
Issued and fully paid: 2,561,166,921 (2003: 2,561,166,921) ordinary shares of HK\$0.10 each	256,116	256,116

## 11. CONTINGENT LIABILITIES

There have been no material changes and developments in respect of contingent liabilities of the Group since the disclosures in the Group's annual report for the year ended 31 December 2003.

## 12. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 June 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Within one year	396	433
In the second to fifth years, inclusive	49	159
	<b>445</b>	<b>592</b>

Pursuant to a lease dated 10 May 2002 (the "Lease"), the Group agreed to rent out certain investment properties to one of its associates, Koffman Securities Limited ("Koffman Securities"), for a term of five years commencing from 10 May 2002 to 9 May 2007. The Group has on 19 November 2003 commenced legal proceedings against Koffman Securities for the recovery of rent arrears due from Koffman Securities. As Koffman Securities had breached the terms of the Lease, in the opinion of the Board, the Group should be able to repossess the leased properties and the Lease should be absolutely terminated. Accordingly, at the balance sheet date, the Group had no future minimum lease receivables in respect of the Lease.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2004

## 12. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) As lessee

The Group leases its office properties under an operating lease arrangement. The lease for properties is negotiated for a term of one year.

At 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating lease falling within one year as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Within one year	213	474

## 13. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the period:

		For the six months ended 30 June	
	Notes	2004 HK\$'000	2003 HK\$'000
Administrative fees income	(i)	58	189
Rental income from an associate, Koffman Securities	(ii)	—	500

## 13. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) This related to management services provided by the Group to Kong Sun Enterprises Sdn. Bhd. ("KSE"), a substantial shareholder of the Company. In prior period, the management services were provided by the Group to Equal Gain Sdn. Bhd. in which KSE has a controlling equity interest. The management fee was charged based on the costs incurred by the Group plus a mark-up.
- (ii) The rental income related to the lease of an investment property to Koffman Securities. The rental was charged monthly of HK\$83,400. No rental income was accounted for the current period due to the legal proceedings against Koffman Securities mentioned in Note 12(a) of this report.

## 14. SUBSEQUENT EVENTS

There have been no material changes in respect of subsequent events of the Group since the disclosures in the Group's annual report for the year ended 31 December 2003.

## **INTERIM DIVIDEND**

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 June 2004 (2003: Nil).

## **SHARE OPTION SCHEME**

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of operations**

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

The Group recorded a consolidated turnover of approximately HK\$4,079,000, a decrease of approximately 96% in comparison with the corresponding period since the cessation of operations in its information technology business (including the trading of computer products and office equipment) and securities broking and investment in 2003. Loss attributable to shareholders amounted to approximately HK\$4,463,000 as compared to the amount of



approximately HK\$133,192,000 in the last corresponding period. The main goal of current period is to make an effort in recovering receivables and seeking for new investment and business opportunities.

### **Property investment and development**

The Group's property investment and development business, comprising commercial, industrial and residential projects in Malaysia and Hong Kong recorded a turnover of approximately HK\$2,306,000 accounting for approximately 57% of total turnover. The significant drop of recorded turnover in current period is mainly caused by the disposal of the Group's 65% equity interest in Pioneer Heritage Sdn. Bhd. in July 2003 which is engaged in property holding.

### **China**

During the six months ended 30 June 2003, the Group disposed of 80.1% interest of the registered capital of a subsidiary, which is principally engaged in property development in Xicheng District, Beijing. A loss of approximately HK\$121,625,000 was recorded by the Group.

In April 2004, the Group has sold all its remaining interest in the aforesaid property project in Xicheng District, Beijing and was subsequently completed in September 2004. The disposal is in line with the current investment policy of the Group which is to concentrate on investment and further development of its investment in any entity with an equity interest of 20% or above.

The commercial premises and car parks owned by the Group at Hanzhou Gangchang, Shanghai has been sold in February 2004. The sale proceed from the transaction was used to reduce the debts of the Group and the Group's working capital.

## **Financial services**

During the current period, the turnover of financial services dropped by approximately 70% to HK\$1,773,000 in comparison with the correspondence period of last year.

Notwithstanding the Group has still suffered from operating losses, it endeavors to strengthen its property investment and development business by consolidating its resources. The Group focuses on concentrating its assets and reducing indebtedness, forming crucial foundation in improving the Group's performance in the future.

## **Financial Review**

As at 30 June 2004, the total shareholders fund of the Group amounted to approximately HK\$205.5 million, compared to approximately HK\$209.5 million at 31 December 2003. The debt ratio (based on the sum of finance lease payable and bank and other borrowings over the equity) and current ratio of the Group as at 30 June 2004 were 0.22 and 0.71 respectively while the ratio as at 31 December 2003 were 0.27 and 0.40 respectively.

Total bank and other borrowings amounted to approximately HK\$45.59 million were mainly secured by legal charge on the Group's investment properties, time deposits and other forms of charges.

The Group has been unable to meet certain scheduled repayments due to its bankers and creditors during the six months ended 30 June 2004 and up to the date of this interim report. As a consequence, there are various lawsuits against the Group from a number of bankers for the repayment of the amounts due by the Group. Hence, bank and other borrowings of approximately HK\$36,739,000 at 30 June 2004 are immediately due and payable.

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

### **Prospects**

The Group maintains a diversified investment portfolio across Malaysia and Hong Kong, and its focus in the future will be to leverage the existing asset base to re-establish steady investment income and more importantly, to improve shareholder returns. The continuing 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 core business of property development in the future.

In future, the management will continue to pursue investment opportunities associated with the Group's existing core business. On the other hand, the Group will strive to further strengthen and explore the growth potential of existing operations as and when they arise.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### Long position in the shares of the Company

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

Notes:

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

Save as disclosed above, as at 30 June 2004, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2004, so far as known to any Directors or chief executive of the Company, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO:

### **Long position in the shares of the Company**

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

Save as disclosed above, at 30 June 2004, so far as known to any Directors or chief executives of the Company, the Company was not aware of any other persons (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **AUDIT COMMITTEE**

The Audit Committee has three independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited financial statements of the Group for the period ended 30 June 2004 with the management.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2004.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has endeavored to comply with the Code of Best Practice (the "Code") as set out in the Listing Rules, throughout the accounting period covered by this interim report, except that (a) the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and (b) full board meeting was not held every six months as required by paragraph 1 of the Code.

## **CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES**

- (a) Disclosure requirements under rules 13.17 and 13.18 of the Listing Rules in respect of Kong Fa has pledged its shares of the Company to secure the bank loan facilities of the Company and contains covenants requiring performance obligations of Kong Fa. Details of which are set out in the Group's annual report for the year ended 31 December 2003. The relevant outstanding loan balance was approximately HK\$6,256,000 at 30 June 2004.

(b) Advances to entities under rule 13.13 of the Listing Rules:

- (i) At 30 June 2004, the Group had a loan receivable of approximately HK\$39,510,000 and interest receivable of approximately HK\$3,566,000 due from Mr. Hoe Hee Liang (the "Borrower"), a shareholder of the Group's associate, United Victoria Sdn. Bhd. ("United Victoria"). The total receivable balances from the Borrower of approximately HK\$43,076,000 represented approximately 21% of the Group's net asset at 30 June 2004. 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 repayment date of the loan together with interest thereon has been extended to June 2005.
  
- (ii) At 30 June 2004, the Group had an amount of approximately HK\$76,962,000 due from Beijing Tianheng Development Joint Stock Company Limited ("Beijing Tianheng"), representing the net consideration receivable on disposal of 80.1% interest of the registered capital of Kong Sheng. This consideration receivable representing approximately 37.5% of the Group's net assets at 30 June 2004 is unsecured and interest free.



## **BOARD OF DIRECTORS**

As at the date of this report, the Board of the Company comprises three executive directors, namely Mr. Kong Lok King, Mr. Kong Li Jer and Mr. Kong Li Szu; three independent non-executive directors, namely, Mr. Ku Suen Fai, Mr. Fai Cheong Hau and Mr. Chan Shing Hoi, Alfred.

By Order of the Board  
**Kong Sun Holdings Limited**  
**Kong Lok King**  
*Chairman and Managing Director*

Hong Kong, 22 February 2005