



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(incorporated in Hong Kong with limited liability)
(stock code: 295)

**DELAY IN PUBLICATION OF AUDITED FINANCIAL
RESULTS AND
DISPATCH OF ANNUAL REPORT FOR THE FINANCIAL
YEAR ENDED 31ST DECEMBER, 2004
AND
LOAN AGREEMENT AND MEMORANDUM OF
UNDERSTANDING
AND
CHANGE OF DIRECTORSHIP**

DELAY IN PUBLICATION OF THE 2004 ANNUAL RESULTS AND DISPATCH OF THE 2004 ANNUAL REPORT

The Board announces that publication of the 2004 Annual Results is expected to be delayed to around 31st August, 2005 and dispatch of the 2004 Annual Report to around 7th September, 2005. The delay in publication of the 2004 Annual Results and the delay in dispatch of the 2004 Annual Report constitute breaches of Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively. In this regard, the Stock Exchange has indicated that it reserves the right to take appropriate action against the Company and/or the Directors.

Given the above, the 2004 annual general meeting of the Company is expected to be held in late September 2005, which will constitute a breach of section 122 of the Companies Ordinance and hence the articles of association of the Company. The Directors have made an application to the High Court for the granting of an order to, inter alia, extend the time for the Company to lay before the 2004 annual general meeting of the Company under section 122 of the Companies Ordinance for three months until 30th September, 2005.

LOAN AGREEMENT AND MEMORANDUM OF UNDERSTANDING

The Board are pleased to announce that on 13th April, 2005, the Company entered into a loan agreement and memorandum of understanding with the Investor, whereby the Investor agreed to make available a loan facility of up to HK\$5,000,000 to the Company for the purpose of financing the Company's working capital requirements. Furthermore, subject and subsequent to resumption of trading in the Shares, the Investor intends to invest into the Company by way of the possible Subscription in cash. The investing amount and the terms of the possible Subscription have yet to be negotiated.

CHANGE OF DIRECTORSHIP

The Board further announces that Mr. Chan Shing Hoi, Alfred has tendered his resignation as independent non-executive director and member of the audit committee with effect from 15th May, 2005.

The Board regrets to announce that Mr. Fai Cheong Hau, an independent non-executive director and a member of the audit committee of the Company passed away on 3rd April, 2005.

The Board also announces that Mr. Sin Wai Chiu, Joseph and Mr. Ip Man Tin, David have been appointed as independent non-executive Directors as well as members of the audit committee with effect from 16th May, 2005. In view of the relevant experiences and professional qualifications of Mr. Sin Wai Chiu, Joseph, the Company complies with Rule 3.19(1) of the Listing Rules.

SUSPENSION IN TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th June, 2004 at the request of the Company, and will continue to be suspended pending the release of an announcement in respect of certain transactions involving the Group and are discloseable under the current Listing Rules and the Listing Rules in effect immediately prior to 31st March, 2004.

DELAY IN PUBLICATION OF THE 2004 ANNUAL RESULTS AND DISPATCH OF THE 2004 ANNUAL REPORT

The Company is required to publish the 2004 Annual Results and to dispatch the 2004 Annual Report by 30th April, 2005 under Rules 13.49(1) and 13.46(1) of the Listing Rules. Furthermore, under the Company's articles of association, the Company is required to hold its annual general meetings in accordance with the requirements of the Company Ordinance. Pursuant to section 122 of the Companies Ordinance, the annual accounts of a Hong Kong issuer which are laid before the issuer at its general meeting to be made up to a date falling not more than 6 months before the date of such general meeting. Thus, the latest date for the Company to hold its 2004 annual general meeting is 30th June, 2005.

The Directors wish to inform the Shareholders that publication of the 2004 Annual Results will be delayed to around 31st August, 2005 and dispatch of the 2004 Annual Report to around 7th September, 2005 as the Group requires more time than was originally expected to finalise its financial statements for the audit of the financial results of the Group for the financial year ended 31st December, 2004. Given the above, the 2004 annual general meeting of the Company is expected to be held in late September 2005, which will constitute a breach of section 122 of the Companies Ordinance and hence the articles of association of the Company. The Directors have made an application to the High Court for the granting of an order to, inter alia, extend the time for the Company to lay before the 2004 annual general meeting of the Company under section 122 of the Companies Ordinance for three months until 30th September, 2005. Further announcement(s) will be made by the Company should there be any changes in the aforesaid expected dates or updates on the aforesaid application to the High Court.

The delay of the finalisation of the financial statements is caused by delay in obtaining results from the Group's subsidiaries in Malaysia principally due to (i) insufficiency of qualified staff overseeing the Group's financial reporting procedures, internal controls and other accounting-related issues; and (ii) the resignation of the Company's accounting manager who was responsible for supervising the finance and auditing functions of the Company's overseas subsidiaries in February 2005. Thus, the Company has encountered difficulties in preparing its financial statements. To ensure smooth financial reporting of the Group, the Company has been continuously recruiting suitable candidates to be its accounting staff. The Company is in the course of negotiating the terms of such appointments with potential candidates.

The delay in the publication of the Company's audited financial results for the year ended 31st December, 2004 and the delay in dispatch of the 2004 annual report constitute breaches of Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively. In this regard, the Stock Exchange has indicated that it reserves the right to take appropriate action against the Company and/or the Directors.

LOAN AGREEMENT AND MEMORANDUM OF UNDERSTANDING DATED 13TH APRIL, 2005

Parties: The Company

The Investor, the principal business of which is investment holding. Apart from entering into the LMOU, the Investor has not carried out any other business activities since its incorporation on 9th February 2005.

Terms:

- The Investor agreed to make available an interest-free loan facility of up to the amount of HK\$5,000,000 to the Company, which will be drawn down by installment, for the purpose of financing the Company's working capital requirements;
- The Controlling Shareholders have given a guarantee to the Investor that if the Company cannot resume trading in Shares within 180 days from 13th April, 2005, the Investor will have the right to require the Company or the Controlling Shareholders to immediately repay the then outstanding amount of the loan (the "Guarantee");
- The Company has agreed to give an exclusive right of negotiation in respect of the possible Subscription by the Investor in the Company for a period of 180 calendar days from the date of the LMOU, i.e. 13th April, 2005, and not to discuss, arrange, negotiate, undertake and enter into of agreement with any independent third parties in relation to matters of its assets and the Shares without the Investor's consent;
- the Investor will conduct due diligence review on the legal and financial aspects of the Group for the purpose of the possible Subscription; and
- subject and subsequent to resumption of trading in the Shares, the Investor intends to invest into the Company by way of the possible Subscription in cash and that the Company has agreed to issue and allot new shares of HK\$0.10 each in the Company credited as fully paid to the Investor. The investing amount and the terms of the possible Subscription have yet to be negotiated.

The Investor was introduced to the Company indirectly by an ex-staff of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investor and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. Save for the LMOU, so far as the Directors are aware of, none of the Investor or any of its substantial shareholders or its ultimate beneficial owners has any shareholding interest in the Company or has past or present business dealings or financial and other interest in the Company or with any of its connected persons. As the consideration and terms have not been determined, it cannot be ascertained at this stage as to the number of Shares that will be issued.

As the Controlling Shareholders are connected persons of the Company under the Listing Rules, the provision of the Guarantee by the Controlling Shareholders constitutes financial assistance by the Controlling Shareholders to the Company under Chapter 14A of the Listing Rules. As the Guarantee is provided for the benefit of the Company on normal commercial terms where no security over the assets of the Company is granted in respect of such financial assistance, the Guarantee is exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

The parties agreed that detailed terms of the Subscription shall be negotiated and set out in a separate legally binding agreement. The Company expects that the legally binding agreement will be executed within 180 days from 13th April, 2005. The Company will make further announcement in relation to the entering into such legally binding agreement as and when appropriate or if the Subscription does not proceed. **Shareholders and potential investors in the Company should note that the Subscription may or may not proceed.**

REASONS FOR THE ENTERING INTO OF THE LMOU

The Directors confirmed that the main reason for the entering into of the LMOU is to finance the Company's working capital requirements. As at the date of this announcement, the total loan due by the Company to the Investor under the LMOU amounted to approximately HK\$1.5 million. Prior to the entering into of the LMOU, the Company had explored various alternative means of funding for financing its working capital requirements including soliciting for loan facilities from third party commercial banks and undertaking other fund raising exercises. However, given (i) the continued operating losses incurred by

the Group for the two years ended 31st December, 2003 and the six months ended 30th June, 2004 of approximately HK\$133.9 million, HK\$341.1 million and HK\$4.5 million respectively; and (ii) the working capital position of the Group based on its unaudited interim report for the six months ended 30th June, 2004, the Directors found it difficult for the Company to obtain external bank borrowings. Hence, the Board is of the view that the LMOU is an appropriate and available way to finance the Group's financial requirements. Furthermore, the possible Subscription being a term of the LMOU is to enable the Company to repay the loans due to the Investor and the possible introduction of the Investor as a Shareholder.

CHANGE OF DIRECTORSHIP

The Board further announces that Mr. Chan Shing Hoi, Alfred has tendered his resignation as independent non-executive Director and member of the audit committee (the "Resignation") with effect from 15th May, 2005 due to personal reasons. The Directors confirm that there are no disagreements between the Board and Mr. Chan resulted in the Resignation and there are no other matters relating to the Resignation that need to be brought to the attention of the Shareholders.

The Board regrets to announce that Mr. Fai Cheong Hau, an independent non-executive Director and a member of the audit committee of the Company passed away on 3rd April, 2005 in Shenzhen, PRC. On behalf of all the staff of the Group, the Board expresses the deepest sympathy for his death and conveyed the condolences to the family of the late Mr. Fai Cheong Hau.

Apart from this, there will be no material changes to and no adverse impact on the Group's operation nor will there be any changes in senior management of the Company. The Board takes this opportunity to express its gratitude to Mr. Chan Shing Hoi, Alfred and to the late Mr. Fai Cheong Hau for their valuable contribution to the Group during their term of office.

The Board also announces that Mr. Sin Wai Chiu, Joseph and Mr. Ip Man Tin, David have been appointed as independent non-executive Directors as well as members of the audit committee with effect from 16th May, 2005. Pursuant to Rule 3.19(1) of the Listing Rules, the Company is required to have at least one independent non-executive Director who has appropriate professional qualifications or accounting or related financial management expertise. In view of the relevant experiences and professional qualifications of Mr. Sin Wai Chiu, Joseph as described below, the Company complies with Rule 3.19(1) of the Listing Rules.

Mr. Sin Wai Chiu, Joseph, aged 50, is the managing director of Info Financial Group Ltd., and Bureau of Insurance Services Ltd. During the period from 2001 to 2003, Mr. Sin was the group managing director of Tanrich Financial Holdings Limited whose shares are listed on the main board of the Stock Exchange. Prior to that period, he worked with AXA for 15 years and has held various senior management positions including general manager of AXA China Region Insurance Co. Ltd., the president and chief executive of AXA-Minmetals Assurance Co., Ltd in Shanghai and AXA Group's country representative for China. He has over 30 years of experience in the field of insurance, investment, finance and accounting. Mr. Sin is a member of the Guangzhou Committee of the Chinese People's Political Consultative Conference, an advisor of the Guangdong General Chamber of Commerce, an honorary vice chairman of the Chinese Financial Education Development Foundation, Beijing, a member of the Executive Committee of Business and Professionals Federation of Hong Kong and an honorary vice president of the Hong Kong Accounting Professionals Association. He is also a visiting professor of the Central University of Finance and Economics and the Wuhan University, China. Mr. Sin holds a bachelor's degree in commerce from Far East College, Taiwan. He is a member of the Institute of Certified Public Accountants in Ireland, a fellow professional national accountant of the National Institute of Accountants of Australia, a fellow member of the Institute of Chartered Secretaries and Administrators of the United Kingdom. He is also a fellow member of the Society of Registered Financial Planners of Hong Kong. During the period from April 2002 to July 2003, Mr. Sin was an executive director of Tanrich Financial Holdings Limited whose shares are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Sin did not during the last three years and does not currently hold other directorship in any other Hong Kong listed companies.

Mr. Ip Man Tin, David, aged 59, is a member of the Chartered Institute of Marketing and a Certified Management Consultant of the International Council of Management Consulting Institutes. He holds Bachelor of Arts and Master of Public Administration degrees. Mr. Ip has more than 24 years of public administration and more than 10 years of public company management experience in Hong Kong and United Kingdom. He has extensive consultancy experience across industry sectors. Mr. Ip was an

independent non-executive director of Global Tech (Holdings) Limited, whose shares are listed on the main board of the Stock Exchange, during the period from March 1999 to June 2004. Mr. Ip was also an independent non-executive director of (i) King Pacific International Holdings Limited, whose shares were previously listed on the main board of the Stock Exchange, during the period from September 2001 to July 2002; and (ii) Infoserve Technology Corp., whose shares were previously listed on the Growth Enterprise Market of the Stock Exchange, during the period from February 2004 to April 2005. Mr. Ip is currently an independent non-executive director of UBA Investments Limited whose shares are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Ip did not during the last three years and does not currently hold other directorship in any other Hong Kong listed companies.

Each of Mr. Sin and Mr. Ip has entered into a service agreement with the Company on 16th May 2005 for a term of three years, which will be subject to retirement by rotation and election at the Company's annual general meeting in accordance with the Company's articles of association, unless otherwise terminated by either party by serving on the other party a 2-month written notice prior to its expiration or otherwise terminated in accordance with its terms. Pursuant to such service agreement, each of Mr. Sin and Mr. Ip is entitled to a director fee of HK\$120,000 per annual. Such director's fee is determined with reference to the respective experience and duties of Mr. Sin and Mr. Ip as well as the prevailing market conditions. Save as disclosed above, there are no other benefits provided to Mr. Sin and Mr. Ip for their respective directorship in the Company. None of Mr. Sin and Mr. Ip holds any positions with any member of the Groups and have any relationships with any other Directors, senior management of the Company, substantial or controlling Shareholders. As at the date of this announcement, neither Mr. Sin nor Mr. Ip has any interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th June, 2004 at the request of the Company, and will continue to be suspended pending the release of an announcement in respect of certain transactions involving the Group and are discloseable under the current Listing Rules and the Listing Rules in effect immediately prior to 31st March, 2004. The Directors confirm that there are no other matters relating to the appointments of Mr. Sin Wai Chiu, Joseph and Mr. Ip Man Tin, David as independent non-executive Directors as well as members of the audit committee that need to be brought to the attention of the Shareholders.

GENERAL

The Company is principally engaged in investment holding whilst its subsidiaries are mainly engaged in property investment and development and financial services.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:–

“2004 Annual Report”	the annual report of the Company for the financial year ended 31st December, 2004
“2004 Annual Results”	the audited consolidated financial results of the Company for the financial year ended 31st December, 2004
“Board”	board of Directors;
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong, whose shares are listed in the Stock Exchange;
“connected person”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholders”	Kong Fa Holding Limited and Kong Sun Enterprises Sdn. Bhd, which are interested in 1,053,850,042 Shares and 403,375,794 Shares respectively, representing approximately 41.15% and 15.75% respectively of the existing issued ordinary share capital of the Company
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries and associated companies;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;

“Investor”	Topreach Holdings Limited, a company incorporated in British Virgin Islands with limited liability, the ultimate beneficial shareholder is not a connected person of the Company (as defined under the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LMOU”	Loan agreement and Memorandum of Understanding dated 13th April, 2005 entered into between the Company and the Investor;
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Subscription”	the proposed subscription of new Shares by the Investor as stated in the LMOU

The Board as at the date hereof comprises:

Kong Lok King
(Chairman and Managing Director)

Kong Li Jer
(Executive Director)

Kong Li Szu
(Executive Director)

Sin Wai Chiu, Joseph
(Independent non-executive Director)

Ip Man Tin, David
(Independent non-executive Director)

Ku Suen Fai
(Independent non-executive Director)

Made by Order of the Board of Directors of
Kong Sun Holdings Limited
Kong Li Szu
Executive Director

Hong Kong, 2nd August, 2005

Please also refer to the published version of this announcement in The Standard.