KONG SUN HOLDINGS LIMITED
江 山 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 295)

2010 RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Kong Sun Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 *HK$'000*
Continuing Operations			
Turnover	*3*	**84,262**	90,705
Sales of life-like plants		**82,006**	88,268
Properties rental income		**1,702**	1,685
		83,708	89,953
Cost of sales		**(72,261)**	(70,471)
Gross profit		**11,447**	19,482
Loss on fair value changes of held for trading investments		**(1,120)**	(1,772)
(Loss) gain on disposal of held for trading investments		**(67)**	105
Other revenue	*5*	**6,711**	7,463
Distribution and selling expenses		**(3,718)**	(3,607)
Administrative expenses		**(30,069)**	(24,457)
Finance costs	*6*	**(3,243)**	(10,523)
Fair value change of convertible bonds designated as financial liabilities at fair value through profit or loss		**4,306**	(21,864)
Loss on early redemption of promissory note		**(9,577)**	–
Gain on disposal of subsidiaries	*15*	**–**	24,433
Loss before tax		**(25,330)**	(10,740)
Income tax credit (expense)	*7*	**492**	(1,694)
Loss for the year attributable to owners of the Company from continuing operations	*8*	**(24,838)**	(12,434)
Discontinued Operation			
Profit for the year attributable to owners of the Company from discontinued operation	*9*	**–**	16
Loss for the year attributable to owners of the Company		**(24,838)**	(12,418)
Loss per share	*10*		
From continuing and discontinued operations Basic and diluted		**HK(4.81) cents**	HK(4.35) cents
From continuing operations Basic and diluted		**HK(4.81) cents**	HK(4.36) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	2009
	HK\$'000	*HK\$'000*
Loss for the year	**(24,838)**	(12,418)
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations	**–**	(201)
Gain on fair value changes of available-for-sale financial assets	**10,188**	–
Other comprehensive income (expense) for the year	**10,188**	(201)
Total comprehensive expenses for the year attributable to owners of the Company	**(14,650)**	(12,619)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties		**57,160**	50,315
Property, plant and equipment		**35,756**	37,266
Prepaid lease payments		**14,421**	14,894
Available-for-sale financial assets		**28,132**	–
		135,469	102,475
Current assets			
Inventories	*11*	**14,325**	13,001
Trade receivables	*12*	**1,362**	3,623
Other receivables and prepayments		**2,552**	3,082
Prepaid lease payments		**473**	473
Held for trading investments		**4,822**	4,063
Tax recoverable		–	126
Pledged bank deposits		**7,018**	6,962
Time deposits with maturities over three months		**118,721**	–
Bank balances and cash		**16,642**	118,634
		165,915	149,964
Current liabilities			
Trade and other payables	*13*	**16,285**	10,750
Convertible bonds designated as financial liabilities at fair value through profit or loss		**7,294**	–
		23,579	10,750
Net current assets		**142,336**	139,214
Total assets less current liabilities		**277,805**	241,689
Non-current liabilities			
Convertible bonds designated as financial liabilities at fair value through profit or loss		–	11,600
Promissory notes		–	23,130
Deferred tax liabilities		**12,403**	12,895
		12,403	47,625
Net assets		**265,402**	194,064
Capital and reserves			
Share capital		**143,793**	83,782
Reserves		**121,609**	110,282
Total equity		**265,402**	194,064

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong — Interpretation ("INT") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretation Committee) ("HK (IFRIC)") — INT 17	Distribution of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the financial statements of the Group for the current or prior accounting periods.

Results, of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendments to HKAS 17 had no material effect on the consolidated financial statements.

The adoption of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

New and revised standards and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (Revised) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company do not anticipate that the application of the amendments to HKAS 12 will have any significant impact on deferred tax recognised.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — INT 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — INT 19 will affect the required accounting. In particular, under HK(IFRIC) — INT 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

3. TURNOVER

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of life-like plants	**82,006**	88,268
Properties rental income	**1,702**	1,685
Proceeds from disposal of held for trading investments	**554**	752
	84,262	90,705

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$105,000 (2009: HK$184,000) for the year ended 31 December 2010.

4. SEGMENT INFORMATION

In prior years, the Group had two operating segments, manufacturing and sales of life-like plants and properties investment, whose operating results were reviewed by the chief operating decision maker for the purpose of resource allocation and performance assessment.

The Group was involved in the rendering of financial services, which was reported as a separate operating segment. That operation was discontinued with effect from 30 November 2009. The segment information reported below does not include any amounts for the discontinued operation which is described in more detail in note 9.

During 2010, securities investment qualifies as a reportable segment due to the acquisition of additional equity securities by the Group. The Group changes the structure of internal organisation which result in redesignation of its operating segments. Under the new structure of internal organisation, the information reported to the chief operating decision maker is analysed based on nature of business, including (a) manufacturing and sales of life-like plants, (b) properties investment and (c) securities investment, the comparatives are therefore consistent in this regard.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 December 2010

	Manufacturing and sales of life-like plants	**Properties investment**	**Securities investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**82,006**	**1,702**	**554**	**84,262**
Segment revenue	**82,006**	**1,702**	**—**	**83,708**
Segment (loss) profit	**(12,422)**	**6,914**	**(1,187)**	**(6,695)**
Unallocated corporate operating income				**437**
Unallocated corporate operating expenses				**(10,558)**
Finance costs				**(3,243)**
Fair value change of convertible bonds designated as financial liabilities at fair value through profit or loss ("FVTPL")				**4,306**
Loss on early redemption of promissory note				**(9,577)**
Loss before tax (continuing operations)				**(25,330)**

For the year ended 31 December 2009

	Manufacturing and sales of life-like plants HK$'000	Properties investment HK$'000	Securities investment HK$'000	Total HK$'000
Turnover	88,268	1,685	752	90,705
Segment revenue	88,268	1,685	—	89,953
Segment (loss) profit	(2,848)	6,533	(1,667)	2,018
Unallocated corporate operating income				1,173
Unallocated corporate operating expenses				(5,977)
Finance costs				(10,523)
Fair value change of convertible bonds designated as financial liabilities at FVTPL				(21,864)
Gain on disposal of subsidiaries				24,433
Loss before tax (continuing operations)				(10,740)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, interest income, directors' salaries, fair value change of convertible bonds designated as financial liabilities at FVTPL, finance costs, loss on early redemption of promissory note and gain on disposal of subsidiaries.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010 ***HK$'000***	2009 *HK$'000*
Segment assets		
Continuing operations:		
Manufacturing and sales of life-like plants	**66,016**	71,616
Properties investment	**57,999**	50,771
Securities investment	**33,468**	4,063
Total segment assets	**157,483**	126,450
Unallocated corporate assets	**143,901**	125,989
Consolidated total assets	**301,384**	252,439

	2010	2009
	HK$'000	*HK$'000*
Segment liabilities		
Continuing operations:		
Manufacturing and sales of life-like plants	**9,402**	3,906
Properties investment	**450**	402
Securities investment	**–**	–
Total segment liabilities	**9,852**	4,308
Unallocated corporate liabilities	**26,130**	54,067
Consolidated total liabilities	**35,982**	58,375

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain other receivables and prepayments, tax recoverable, pledged bank deposits, time deposits with maturities over three months and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain other payables, deferred tax liabilities, convertible bonds designated as financial liabilities at FVTPL and promissory notes as these liabilities are managed on a group basis.

Other segment information

2010 — Continuing operation

	Manufacturing and sales of life-like plants *HK$'000*	**Properties investment** *HK$'000*	**Securities investment** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	**1,407**	**1,166**	**–**	**–**	**2,573**
Amortisation of prepaid lease payments	**473**	**–**	**–**	**–**	**473**
Depreciation of property, plant and equipment	**2,979**	**154**	**–**	**–**	**3,133**
Gain on fair value changes of investment properties	**–**	**(5,895)**	**–**	**–**	**(5,895)**
Loss on fair value changes of held for trading investments	**–**	**–**	**1,120**	**–**	**1,120**
Loss on disposal of held for trading investments	**–**	**–**	**67**	**–**	**67**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss					
Interest income	**(14)**	**–**	**–**	**(423)**	**(437)**
Finance costs	**27**	**–**	**–**	**3,216**	**3,243**
Income tax credit	**(363)**	**(129)**	**–**	**–**	**(492)**
Fair value change of convertible bonds designated as financial liabilities at FVTPL	**–**	**–**	**–**	**(4,306)**	**(4,306)**
Loss on early redemption of promissory note	**–**	**–**	**–**	**9,577**	**9,577**

2009 — Continuing operation

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	4,708	63	–	–	4,771
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	2,835	108	–	–	2,943
Gain on fair value changes of investment properties	–	(5,315)	–	–	(5,315)
Loss on fair value changes of held for trading investments	–	–	1,772	–	1,772
Gain on disposal of held for trading investments	–	–	(105)	–	(105)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss					
Interest income	(20)	–	–	(241)	(261)
Finance costs	–	–	–	10,523	10,523
Income tax (credit) expense	(411)	2,105	–	–	1,694
Fair value change of convertible bonds designated as financial liabilities at FVTPL	–	–	–	21,864	21,864
Gain on disposal of subsidiaries	–	–	–	(24,433)	(24,433)

Note: Non-current assets excluded those relating to discontinued operation and financial instruments.

Revenue from major product and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2010 *HK$'000*	2009 *HK$'000*
Life-like plants	**82,006**	88,268
Office building rental	**1,702**	1,685
	83,708	89,953

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**4,318**	2,961	**57,668**	50,761
PRC	**–**	–	**49,669**	51,714
United States of America	**74,582**	82,721	**–**	–
Others	**4,808**	4,271	**–**	–
	83,708	89,953	**107,337**	102,475

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**72,387**	81,232

All revenue generated from the major customer relates to the sale of life-like plants.

5. OTHER REVENUE

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Gain on fair value changes of investment properties	**5,895**	5,315
Payables waived by creditors	**–**	783
Other borrowing waived by lender	**–**	261
Interest income	**437**	261
Sundry income	**379**	843
	6,711	7,463

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Interest on convertible bonds designated as financial liabilities at FVTPL	**1,600**	6,552
Interest on promissory notes	**1,616**	3,798
Interest on bank overdrafts	**27**	–
Interest on other borrowings wholly repayable within five years	**–**	173
	3,243	10,523

7. INCOME TAX (CREDIT) EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
(Over)underprovision of current tax in prior years:		
Hong Kong Profits Tax	–	126
PRC Enterprise Income Tax	–	(127)
	–	(1)
Deferred tax		
Current year	**(492)**	1,695
	(492)	1,694

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**650**	620
Staff costs:		
Directors' remuneration	**300**	355
Wages, salaries and other benefits	**14,378**	9,621
Share-based payment expense	**447**	–
Retirement benefit costs (excluding directors)	**360**	326
Total staff costs	**15,485**	10,302
Share-based payment expense *(Note)*	**3,000**	—
Cost of inventories recognised as an expense	**72,261**	70,471
Amortisation of prepaid lease payments	**473**	473
Depreciation of property, plant and equipment	**3,133**	2,943
Operating lease rental on rented premises	**536**	536
Net foreign exchange losses	**1,889**	525

Note:

Share-based payment expense included amount of approximately HK$447,000 in relation to the share options granted to an employee as set out in the staff costs.

9. DISCONTINUED OPERATION

During the year ended 31 December 2009, the Group entered into an agreement to dispose of its 100% interest in Pacpo Investments Limited ("Pacpo Investments"), which carried out of the Group's financial services operation. The disposal was effected for the management of the Group to focus on the Group's other more profitable businesses. The disposal was completed on 30 November 2009 on which date control of Pacpo Investments was passed to the acquirer.

The profit for the year from the discontinued operation was analysed as follows:

	2009 *HK$'000*
Loss on financial services operation for the year	2
Gain on disposal of financial services operation *(Note 15)*	(18)
	(16)

The result of the financial services operation for the period from 1 January 2009 to 30 November 2009, which had been included in the consolidated income statement, was as follows:

	Period ended 30 November 2009 *HK$'000*
Turnover	–
Administrative expenses	(2)
Loss before tax	(2)
Income tax expense	–
Loss for the period	(2)

No cash flows had been generated in Pacpo Investments for the year end 31 December 2009.

The carrying amounts of the assets and liabilities of Pacpo Investments at the date of disposal are disclosed in note 15.

10. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(24,838)**	(12,418)

Number of shares

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**516,526**	285,324

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(24,838)**	(12,418)
Less: Profit for the year from discontinued operation	**–**	(16)
Loss for the purpose of basic loss per share from continuing operations	**(24,838)**	(12,434)

From discontinued operation

For the year ended 31 December 2009, basic earnings per share for the discontinued operation was HK0.01 cents per share and diluted earning per share for the discontinued operation was HK0.01 cents per share which was based on the profit for the year ended 31 December 2009 from the discontinued operation of HK$16,000 and the denominators detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share from continuing operations for the year ended 31 December 2010.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding warrants since their exercise would result in a decrease in loss per share from continuing operations for the year ended 31 December 2010.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding convertible bonds because the exercise price of the convertible bonds was higher than the average market price for shares for both years.

11. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Raw materials	**12,573**	11,126
Work in progress	**1,127**	1,383
Finished goods	**625**	492
	14,325	13,001

12. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**1,362**	3,623

The Group allows a credit period normally ranging from 0 day to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
1 to 30 days	**46**	182
31 to 90 days	**565**	1,342
91 to 180 days	**740**	2,041
181 to 360 days	**–**	–
1 to 2 years	**11**	29
Over 2 years	**–**	29
	1,362	3,623

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**4,147**	3,315
Other payables and accrued charges	**12,138**	7,435
	16,285	10,750

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
1 to 30 days	**7**	120
31 to 90 days	**829**	2,363
91 to 180 days	**3,271**	822
181 to 360 days	**40**	–
Over 1 year	**–**	10
	4,147	3,315

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company's former director, and the Company as 2nd defendant for recovering a sum of HK$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors of the Company, 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 of the Company, 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 2010 and 2009, with the advices by the Company's legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss had been accounted for in these financial statements.

15. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2009, the Group entered into five agreements with Mr. Kong Li Szu (the "Acquirer"), a former director of the Company, to dispose of its entire interests in Bestwick Limited ("Bestwick"), Pacpo Investments, Healthy Profit Group, Pacpo HK Group and Kong Sun (China) Investment Limited and its subsidiaries ("Kong Sun China Group") (all disposed subsidiaries collectively referred to as the "Disposed Subsidiaries"). Upon the disposal, the Group has also assigned to the Acquirer all the debts due from the Disposed Subsidiaries together with the disposal of the interests in the Disposed Subsidiaries at an aggregate cash consideration of HK$36.

The Group has discontinued its financial services operation upon the disposal of Pacpo Investments (Note 9).

The disposal of Kong Sun China Group was completed on 30 October 2009 while the disposals of Bestwick, Pacpo Investments, Healthy Profit Group and Pacpo HK Group were completed on 30 November 2009, on which dates control of the Disposed Subsidiaries passed to the Acquirer. The net liabilities of the Disposed Subsidiaries at the date of disposals were as follows:

	Continuing operations					Discontinued operation
	Bestwick	**Healthy Profit Group**	**Pacpo HK Group**	**Kong Sun China Group**	**Total**	**Pacpo Investments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total consideration received	–	–	–	–	–	–
Analysis of asset and liabilities over which control was lost						
Interests in an associates	–	–	–	–	–	–
Other receivables	–	8	3	15	26	1
Loan and interest receivables	–	–	–	–	–	–
Consideration receivables	–	–	–	–	–	–
Pledged bank deposits	–	41	–	–	41	–
Bank balances and cash	–	–	3	9	12	–
Trade and other payables	(3)	(14,077)	(259)	(119)	(14,458)	(19)
Amount due to the holding companies	–	(54,554)	(166,215)	(180,350)	(401,119)	(189,752)
Other borrowings	–	(1,800)	–	–	(1,800)	–
Net liabilities disposed of	(3)	(70,382)	(166,468)	(180,445)	(417,298)	(189,770)
Gain on disposal of subsidiaries						
Consideration received	–	–	–	–	–	–
Net liabilities disposed of	(3)	(70,382)	(166,468)	(180,445)	(417,298)	(189,770)
Non-controlling interests	–	(11)	–	–	(11)	–
Debts assigned to the Acquirer	–	54,554	166,215	180,350	401,119	189,752
Exchange reserve realised	–	849	(9,418)	326	(8,243)	–
(Gain) loss on disposal	(3)	(14,990)	(9,671)	231	(24,433)	(18)
Net cash outflow arising on disposal						
Consideration received	–	–	–	–	–	–
Less: cash and cash equivalent balances disposed of	–	–	(3)	(9)	(12)	–
	–	–	(3)	(9)	(12)	–

The impact of Pacpo Investments on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in properties investment, manufacture and sales of life-like plants and securities investment.

For the year ended 31 December 2010, the turnover of the Group amounted to approximately HK$84,262,000. Loss attributable to shareholders has significantly increased to approximately HK$24,838,000 from approximately HK$12,418,000 recorded in last year. The increase of loss for the year was mainly contributed by the increase in operating costs, including the labour costs in the PRC and the loss on early redemption of promissory note.

Properties Investment

The Group's properties investment business had contributed approximately HK$1,702,000 to the total revenue of the Group for the year ended 31 December 2010. The turnover remains stable during the year. Given the result of low interest rate environment and land auctions with historical high prices, it gave a positive effect on both property prices and transaction volume. It is expected that the revenue from the properties investment business would have a steady growth in the coming future.

Life-like Plants Business

The life-like plants business had contributed approximately HK$82,006,000 to the total revenue of the Group for the year ended 31 December 2010. Despite the business environment remaining challenging and the pressure of continuously rise of production costs in the PRC, the Group will focus on the enhancement in production innovation and closely monitor the costs in order to maintain the competitiveness in the industry.

Securities Investment

During the year of 2010, the Group has diversified its investments into securities market. As at 31 December 2010, the Group managed a portfolio of investments in capital market with fair value of HK$32,954,000. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Prospects

Going to the new financial year, anticipated continuous inflation in the PRC caused by the strong demand of Renminbi ("RMB"), the labour costs and the raw material prices are expected to be in up trend. In order to maintain the competitiveness in life-like plants business, the Group will keep focus on production efficiency improvements and innovative product design. The Group has undertaken a placing of shares and open offer during the year which further solid the working capital and financial position of the Group. The Group is also actively looking for new investment and business opportunities to deliver the greatest return to shareholders.

Capital Structure

As at 31 December 2010, the Group has shareholders' equity of approximately HK$265,402,000 and the share capital of the Company had the following changes:

On 2 February 2010, 60,400,000 ordinary shares of HK$0.20 each were issued at the placing price of HK$0.4 per placing share.

On 27 October 2010, 239,654,173 ordinary shares of HK$0.20 each were issued under the open offer at the subscription price of HK$0.25 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders on 6 October 2010.

On 13 December 2010, 95,860,000 warrants ("Warrants") were placed. Each Warrant entitles the holders to subscribe for one ordinary share of HK$0.20 each at a subscription price of HK$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

Investment Position and Planning

During the year ended 31 December 2010, the Group spent approximately HK$1,623,000 for acquisition of plant and machinery and leasehold improvement.

The Group has invested in shares of certain companies that are traded over the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2010, the Group hold long-term and short-term investments with fair value of approximately HK$28,132,000 and HK$4,822,000, respectively.

Saved as disclosed above, the Group did not have any significant investment and there are no material acquisition or disposal of subsidiaries and associated company during the year.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2010, the Group's bank deposits in the amount of approximately HK$7,018,000 had been pledged to banks to secure banking facilities granted to the Group and for the requirement of the customs authorities of the PRC.

The Group has no significant contingent liabilities as at 31 December 2010.

Employees and Remuneration Policies

As at 31 December 2010, the Group has approximately 139 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with build-in-merit components incorporated in annual review to reward and motivate individual performance.

Liquidity and Financial Resources

As at 31 December 2010, the total shareholders fund of the Group amounted to approximately HK$265,402,000 (2009: HK$194,064,000), total assets of approximately HK$301,384,000 (2009: HK$252,439,000), current liabilities of approximately HK$23,579,000 (2009: HK$10,750,000) and non-current liabilities of approximately HK$12,403,000 (2009: HK$47,625,000).

The debt ratio (based on the total liabilities over the equity) of the Group was dropped from the ratio of 0.30 as at 31 December 2009 to 0.14 as at 31 December 2010.

The Group's business operation and investments are in Hong Kong and the PRC, most of the assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and RMB. The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

FINAL DIVIDEND

The Board does not recommend to declare a dividend for the year ended 31 December 2010 at the forthcoming annual general meeting (2009: nil).

AUDIT COMMITTEE

The Audit Committee has three independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules") during the year under review, save for the deviation from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The company does not have any officer with the title of "chief executive officer". Mr. Tse On Kin, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

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 less than 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 CG Code in this respect.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 2010.

PURCHASE, REDEMPTION OR SALE OF COMPANY'S LISTED SECURITIES

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

By order of the Board
Kong Sun Holdings Limited
Tse On Kin
Chairman

Hong Kong, 21 March 2011

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Tse On Kin and Mr. Yu Pak Yan, Peter; and three independent non-executive directors, namely, Dr. Wong Yun Kuen, Mr. Man Kwok Leung and Mr. Lau Man Tak.