KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

2012 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 2012.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Turnover	*3*	**8,560**	72,844
Sale of life-like plants	*3*	**6,840**	69,171
Properties rental income	*3*	**1,720**	2,258
Dividend income from equity investments	*3*	**–**	38
		8,560	71,467
Cost of sales		**(7,127)**	(67,332)
Gross profit		**1,433**	4,135
Other revenue	*5*	**3,585**	7,177
Loss on fair value changes of held-for-trading investments		**(187)**	(1,252)
Loss on disposal of held-for-trading investments		**–**	(873)
Impairment loss on available-for-sale financial assets		**(1,500)**	(11,358)
Impairment loss recognised in respect of goodwill		**(8,582)**	–
Impairment loss recognised in respect of property, plant and equipment		**(4,036)**	–
Gain on disposal of available-for-sale financial assets		**13,248**	–
Gain on fair value changes of investment properties		**14,734**	19,720
Distribution and selling expenses		**(458)**	(2,852)
Administrative expenses		**(20,001)**	(22,827)
Other operating expenses		**(10,143)**	–
Loss on fair value changes of convertible bonds		**–**	(32,706)
Loss on derecognition of contingent consideration		**–**	(856)
Finance costs	*6*	**(346)**	(1,900)
Loss before tax		**(12,253)**	(43,592)
Income tax credit	*7*	**1,352**	176
Loss for the year attributable to owners of the Company	*8*	**(10,901)**	(43,416)
Loss per share			
Basic and diluted	*9*	**HK(1.23) cents**	HK(6.04) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
Loss for the year	*8*	**(10,901)**	(43,416)
Other comprehensive income (expenses)			
Exchange differences arising on translation of foreign operations		**22**	47
Loss on fair value changes of available-for-sale financial assets		**(313)**	(21,546)
Reclassification to consolidated income statement:			
Impairment loss on available-for-sale financial assets		**1,500**	11,358
Other comprehensive income (expenses) for the year, net of income tax		**1,209**	(10,141)
Total comprehensive expenses for the year attributable to owners of the Company		**(9,692)**	(53,557)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**At 31 December 2012 *HK$'000***	At 31 December 2011 *HK$'000*
Non-current assets			
Investment properties		**92,800**	77,250
Property, plant and equipment		**45,697**	54,768
Prepaid lease payments		**13,475**	13,948
Available-for-sale financial assets		**22,332**	6,586
Goodwill		**–**	8,582
Deposit paid for acquisition of property, plant and equipment		**114**	–
		174,418	161,134
Current assets			
Inventories	*10*	**1,450**	10,997
Trade receivables	*11*	**694**	10,515
Other receivables, prepayments and deposits		**4,048**	6,190
Prepaid lease payments		**473**	473
Held-for-trading investments		**1,133**	1,320
Pledged bank deposits		**1,161**	1,158
Bank balances and cash		**105,643**	60,413
		114,602	91,066
Current liabilities			
Trade payables, other payables and accrued charges	*12*	**13,344**	18,983
Bank borrowings		**8,829**	5,353
Obligations under finance leases		**9**	214
		22,182	24,550
Net current assets		**92,420**	66,516
Total assets less current liabilities		**266,838**	227,650

	At **31 December 2012** *HK$'000*	At 31 December 2011 *HK$'000*
Non-current liabilities		
Bank borrowings	**–**	168
Obligations under finance leases	**23**	716
Deferred tax liabilities	**7,722**	9,084
	7,745	9,968
Net assets	**259,093**	217,682
Capital and reserves		
Share capital	**14,690**	143,793
Reserves	**244,403**	73,889
Total equity	**259,093**	217,682

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The consolidated 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 consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfer of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and the Group's and the Company's positions for the current and prior years and/or disclosures set out in these financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements 2009–2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009–2011 Cycle Issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the consolidated and the Company's financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the consolidated and the Company's financial statements as the Group and the Company has already adopted this treatment.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 reporting periods. In addition under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 presented 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. 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 presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 may affect the classification of the Group's available-for-sale financial assets and may have significant impact on amounts reported in respect of the Group's and the Company's other 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.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates, and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated and the Company's financial statements and result in more extensive disclosures in the financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

3. TURNOVER

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

	2012	2011
	HK$'000	*HK$'000*
Sale of life-like plants	**6,840**	69,171
Properties rental income	**1,720**	2,258
Dividend income from held-for-trading investments	**–**	38
Proceeds from disposal of held-for-trading investments	**–**	1,377
	8,560	72,844

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$213,000 (2011: HK$159,000) for the year ended 31 December 2012.

4. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the chief operating decision maker, the board of directors, for the purpose of resources allocation and performance assessment are as follows:

(a) The manufacturing and sale of life-like plants segment engaged in manufacturing and sale of life-like plants (including Christmas trees and artificial flowers products) in Hong Kong and the Peoples' Republic of China (the "PRC").

(b) The properties investment engaged in the investment in properties in Hong Kong.

(c) The securities investment engaged in the trading of listed securities in Hong Kong.

Segment Revenue and Results

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

For the year ended 31 December 2012

	Manufacturing and sale of life-like plants *HK$'000*	**Properties investment** *HK$'000*	**Securities investment** *HK$'000*	**Total** *HK$'000*
Turnover	**6,840**	**1,720**	**–**	**8,560**
Segment revenue	**6,840**	**1,720**	**–**	**8,560**
Segment (loss) profit	**(35,772)**	**16,082**	**1,300**	**(18,390)**
Unallocated corporate operating income				**99**
Unallocated corporate operating expenses				**(5,364)**
Impairment loss on available-for-sale financial assets				**(1,500)**
Gain on disposal of available-for-sale financial assets				**13,248**
Finance costs				**(346)**
Loss before tax				**(12,253)**

For the year ended 31 December 2011

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Turnover	69,171	2,258	1,415	72,844
Segment revenue	69,171	2,258	38	71,467
Segment (loss) profit	(15,669)	21,366	3,043	8,740
Unallocated corporate operating income				12
Unallocated corporate operating expenses				(5,524)
Impairment loss on available-for-sale financial assets				(11,358)
Loss on derecognition of contingent consideration				(856)
Loss on fair value changes of convertible bonds				(32,706)
Finance costs				(1,900)
Loss before tax				(43,592)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain indirect administration costs, bank interest income, directors' emoluments, finance costs, gain on disposal of available-for-sale financial assets, loss on fair value changes of convertible bonds, loss on derecognition of contingent consideration and impairment loss on available-for-sale financial assets. This is the measure reported to the chief operating decision marker for the purposes of resource allocation and assessment of segment performance.

Segment Assets and Liabilities

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

	At 31 December 2012	At 31 December 2011
	HK$'000	*HK$'000*
Segment assets		
Manufacturing and sale of life-like plants	**64,724**	104,183
Properties investment	**92,976**	78,301
Securities investment	**96,414**	45,942
Total segment assets	**254,114**	228,426
Unallocated corporate assets	**34,906**	23,774
Consolidated total assets	**289,020**	252,200

	At 31 December 2012	At 31 December 2011
	HK$'000	*HK$'000*
Segment liabilities		
Manufacturing and sale of life-like plants	**6,389**	12,008
Properties investment	**165**	365
Securities investment	**–**	25
Total segment liabilities	**6,554**	12,398
Unallocated corporate liabilities	**23,373**	22,120
Consolidated total liabilities	**29,927**	34,518

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

- all assets are allocated to reportable segments other than available-for-sale financial assets, certain other receivables, prepayments and deposits, pledged bank deposits and certain 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 and accrued charges, deferred tax liabilities, bank borrowings and obligations under finance leases as these liabilities are managed on a group basis.

Other Segment Information

2012

	Manufacturing and sale 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)*	9,990	816	–	–	10,806
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	5,051	47	–	–	5,098
Gain on fair value changes of investment properties	–	(14,734)	–	–	(14,734)
Loss on fair value changes of held-for-trading investments	–	–	187	–	187
Gain on disposal of available for sales financial assets	–	–	–	(13,248)	(13,248)
Gain on disposal of property, plant and equipment	(1,772)	–	–	–	(1,772)
Loss on written off of property, plant and equipment	3,471	–	–	–	3,471
Loss on written off of inventories	6,672	–	–	–	6,672
Impairment loss on available-for-sale financial assets	–	–	–	1,500	1,500
Impairment loss recognised in respect of goodwill	8,582	–	–	–	8,582
Impairment loss recognised in respect of property, plant and equipment	4,036	–	–	–	4,036
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,322)	(2)	(1,324)
Finance costs	–	–	–	346	346
Income tax (credit) expenses	(1,401)	42	–	7	(1,352)

Other Segment Information (Continued)

2011

	Manufacturing and sale 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)*	3,051	399	–	–	3,450
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	4,179	65	–	–	4,244
Gain on fair value changes of investment properties	–	(19,720)	–	–	(19,720)
Loss on derecognition of contingent consideration	–	–	–	856	856
Impairment loss on available-for-sale financial assets	–	–	–	11,358	11,358
Loss on fair value changes of held-for-trading investments	–	–	1,252	–	1,252
Loss on disposal of held-for-trading investments	–	–	873	–	873
Loss on written off of property, plant and equipment	–	278	–	–	278
Gain on disposal of plant and equipment	(2,073)	–	–	–	(2,073)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,639)	(12)	(1,651)
Finance costs	318	–	–	1,582	1,900
Income tax (credit) expenses	(213)	37	–	–	(176)
Loss on fair value changes of convertible bonds	–	–	–	32,706	32,706

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

Geographical Information

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

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

	Revenue from external customers		**Non-current assets** *(Note)*	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**3,774**	8,148	**111,607**	86,026
PRC	**–**	–	**40,479**	68,522
USA	**2,625**	58,789	**–**	–
Others	**2,161**	4,530	**–**	–
	8,560	71,467	**152,086**	154,548

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

Information about Major Customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A	**2,625**	54,383
Customer B	**1,077**	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group

All the above revenue was derived from the sale of life-like plants.

5. OTHER REVENUE

	2012	2011
	HK$'000	*HK$'000*
Net foreign exchange gain	**136**	3,083
Gain on disposal of property, plant and equipment	**1,772**	2,073
Interest income	**1,324**	1,651
Sundry income	**353**	370
	3,585	7,177

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**271**	259
Finance leases	**75**	28
Interest on convertible bonds	**–**	1,582
Interest on bank overdrafts	**–**	31
	346	1,900

7. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Under provision in prior years:		
PRC Enterprise Income Tax	**10**	111
Deferred tax:		
Current year	**(1,362)**	(287)
	(1,352)	(176)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the two years ended 31 December 2012 and 2011.

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.

8. LOSS FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**700**	814
Staff costs:		
Directors' remuneration	**2,160**	304
Wages, salaries and other benefits (excluding directors)	**6,148**	15,125
Retirement benefit costs (excluding directors)	**386**	313
Total staff costs	**8,694**	15,742
Cost of inventories recognised as an expense	**7,127**	67,332
Loss on written off of property, plant and equipment *(Note)*	**3,471**	278
Loss on written off of inventories *(Note)*	**6,672**	–
Amortisation of prepaid lease payments	**473**	473
Depreciation of property, plant and equipment	**5,098**	4,244
Operating lease rental on rented premises	**856**	879
Net foreign exchange gain	**(136)**	(3,083)

Note:

Included in other operating expenses in the consolidated income statement for the year ended 31 December 2012 were loss on written off of property, plant and equipment and inventories of approximately HK$3,471,000 (2011: nil) and HK$6,672,000 (2011: nil), respectively. The board of directors resolved to terminate the manufacturing and sale of Christmas trees business included in the manufacturing and sale of life-like plants segment during the year ended 31 December 2012 as a result of the keen competition and decline in the demand for Christmas trees products of the Group. Relevant inventories and property, plant and equipment were obsolete and written off during the year ended 31 December 2012. In the opinion of the directors of the Company, the carrying amount of such assets cannot be recovered through use or disposal.

9. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(10,901)**	(43,416)

	Number of shares	
	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**885,401**	718,962

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and conversion of Company's outstanding warrants since their exercise because the exercise price of those share options and warrants was higher than the average market price for shares for both 2012 and 2011.

10. INVENTORIES

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000
Raw materials	**1,133**	9,741
Work in progress	**202**	734
Finished goods	**115**	522
	1,450	10,997

11. TRADE RECEIVABLES

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000
Trade receivables	**694**	10,515

The Group allows a credit period normally ranging from 0 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. The Group does not hold any collateral over these balances.

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000
1 to 30 days	**681**	827
31 to 90 days	**6**	9,091
91 to 180 days	**7**	597
	694	10,515

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000
Trade payables	**58**	3,616
Other payables and accrued charges	**13,286**	15,367
	13,344	18,983

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

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000
1 to 30 days	**58**	44
31 to 90 days	**–**	20
91 to 180 days	**–**	2,341
181 to 360 days	**–**	1,211
	58	3,616

The average credit period on purchases of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. 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 these consolidated financial statements, 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 to 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 2012 and 2011, 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.

14. ACQUISITION OF A SUBSIDIARY

On 31 May 2011, the Group acquired 100% equity interest of Lisun Plastic Factory Limited and its subsidiary (together as "Lisun Group") at a total consideration of HK$20,000,000. Lisun Group is engaged in manufacturing and sale of artificial flowers and was acquired to provide an opportunity for the Group to diversify its products and expand its customer base. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$8,582,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Fair value at 31 May 2011 *HK$'000*
Net assets acquired	
Property, plant and equipment	21,225
Inventories	3,017
Trade and other receivables	3,490
Amount due from a related company	756
Pledged bank deposits	103
Bank balances and cash	472
Bank overdraft	(2,796)
Trade payables, other payables and accrued charges	(2,873)
Amount due to a related company	(3,807)
Obligations under finance leases	(293)
Bank and mortgage loan	(5,927)
Deferred tax liabilities	(2,805)
Net identifiable assets and liabilities	10,562
Arising on acquisition:	
Goodwill	8,582
Contingent consideration	856
Total consideration for acquisition	20,000
Analysis of net outflow of cash and cash equivalents in respect of the acquisition of Lisun Group:	
Cash consideration paid	20,000
Less: Bank balances and cash acquired	(472)
Add: Bank overdraft acquired	2,796
Net cash outflow in respect of the acquisition of the subsidiary	22,324

Pursuant to the terms of the sale and purchase agreement, Reach Billion Limited (the "Vendor") and Ms. Chu (the "Guarantor") undertake to Smart Future Investments Limited, a subsidiary of the Company (the "Purchaser") that the audited net profit before interest, tax, depreciation and amortisation of Lisun Group for the year ended 31 December 2011 (the "2011 Net Profit") shall not be less than HK$2 million (the

"Profit Guarantee"). In the event that the 2011 Net Profit is less than the amount of Profit Guarantee, the Vendor and the Guarantor are required to pay the shortfall of the Profit Guarantee multiply by six to the Purchaser. The maximum liability of the Vendor in respect of the Profit Guarantee shortfall shall not exceed HK$12 million.

The fair value of such contingent arrangement amounted to approximately HK$856,000 at the date of acquisition is presented separately on the consolidated statement of financial position. The fair value was determined with reference to the valuation by an independent qualified professional valuer, Kovas Magni Appraisal Limited. Changes in variables and assumptions may result in changes in the fair value.

As the contingent arrangement contains various embedded derivatives, the directors of the Company determined that the contingent arrangement be designated as "financial assets at FVTPL" which shall be carried at fair value at end of the reporting period. During the year ended 31 December 2011, the carrying amount of the contingent consideration of approximately HK$856,000 was charged to the consolidated income statement as a result of the fact that the Profit Guarantee was met.

Since its acquisition by the Group, the Lisun Group contributed approximately HK$8,747,000 and a profit of approximately HK$600,000 to the Group's turnover and loss for the year ended 31 December 2011 respectively.

Had the acquisition of the Lisun Group been completed on 1 January 2011, total Group's turnover for the year would have been approximately HK$75,197,000, and the Group's loss for the year would have been approximately HK$44,064,000.

Goodwill arose on acquisition of the Lisun Group represents the control premium.

No goodwill arising on this acquisition is expected to be deductible for tax purposes.

15. FINANCIAL GUARANTEE CONTRACT

The Company had issued a guarantee to a bank in respect of banking facilities of HK$9,200,000 to Lisun Plastic Factory Limited ("LSHK") on 18 July 2011. The banking facilities were renewed on 4 May 2012, the Company had issued another guarantee to bank in respect of renewed banking facilities of approximately HK$11,425,000 on the same day.

LSHK is an entity covered by a guarantee arrangement issued by the Company to a bank in respect of banking facilities granted to LSHK which remains in force so long as the subsidiary has drawn down under the banking facilities. Under the guarantee, the Company is a party to the guarantee for all borrowings of subsidiary from the bank which is the beneficiary of the guarantee.

As at 31 December 2012, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantee issued is the outstanding amount of the facility drawn down by LSHK of approximately HK$8,570,000 (2011: HK$4,597,000). Fair value of the financial guarantee as at 4 May 2012, the inception date, amounted to approximately HK$777,000 (18 July 2011: HK$470,000) was arrived at on the basis of a valuation carried out by Grant Sherman, an independent qualified professional valuer not connected with the Group. During the year ended 31 December 2012, an amortisation on financial guarantee of approximately HK$753,000 (2011: HK$235,000) has been recognised in the Company's income statement.

The carrying amount of the financial guarantee issued by the Company as at 31 December 2012 was approximately HK$259,000 (2011: HK$235,000).

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, manufacturing and sale of life-like plants and securities investment.

For the year ended 31 December 2012, the turnover of the Group amounted to approximately HK$8,560,000. Loss attributable to shareholders has decreased to approximately HK$10,901,000 from approximately HK$43,416,000 recorded in last year. The decrease of loss for the year was mainly contributed by the absence of the loss arising from fair value changes of convertible bonds made in last year, gain on fair value changes of investment properties and gain on disposal of available-for-sale financial assets.

Properties Investment

The Group's properties investment business had contributed approximately HK$1,720,000 to the total revenue of the Group for the year ended 31 December 2012. The turnover has reduced by about HK$538,000 due to investment properties not fully occupied during the year. In general, the property prices in Hong Kong have risen to record high levels due to the strong market demand and the inflow of capital, as the global money supply and liquidity have increased substantially. The Group's investment properties were valued at approximately HK$92,800,000 as at 31 December 2012, which represented an increment of approximately HK$15,550,000 as compared to last year. 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$6,840,000 to the total revenue of the Group for the year ended 31 December 2012. The turnover of the segment reduced by approximately HK$62,331,000 when compared with last year. The significant decrease was mainly caused by the termination of production line of Christmas trees, where the impact have reflected in the Interim Report in 2012. Due to the increase in the cost of materials and labour cost in the PRC and keen competition of the market, the business of Christmas trees declined significantly.

For the business of artificial flowers, it was affected by adverse business environment brought by the European sovereign debt crisis and the uncertain United States economy, less sale orders were received. The Group will enhance its product differentiation and closely monitor the production costs without deteriorating the product quality to maintain its competitiveness in the industry.

Securities Investment

As at 31 December 2012, the Group managed a portfolio of investments in capital market with fair value of approximately HK$23,465,000. 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

Despite of the competitiveness in life-like plant business, the Group would continue to enhance its product differentiation and cost control initiatives so as to remain competitive in the industry. The Group has undertaken a placing of shares during the year which further solid the working capital and financial position of the Group. The Group is committed to explore new investment and business opportunities to deliver the greatest return to shareholders.

Capital Structure

As at 31 December 2012, the Group has shareholders' equity of approximately HK$14,690,000 and the share capital of the Company had the following changes:

On 31 July 2012, there was a capital reduction of the Company by cancelling share capital paid up or credited as paid up to the extent of HK$0.19 per share upon each of the shares in issue and by reducing the nominal value of all the issued and unissued shares in the share capital of the Company from HK$0.20 to HK$0.01 per share.

On 31 July 2012, there was a change in board lot size for trading in the shares of the Company from 5,000 shares to 25,000 shares.

On 31 July 2012, there was an increase in authorised share capital from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by the creation of an additional 18,000,000,000 shares of par value HK$0.01 each.

On 12 October 2012, 750,000,000 ordinary shares of par value HK$0.01 each were issued at the placing price of HK$0.07 per placing share.

Investment Position and Planning

During the year ended 31 December 2012, the Group spent approximately HK$9,990,000 for acquisition of fixed assets, which included the property acquired through the property swap agreement at deemed cost of HK$8,980,000 as at the completion date of this agreement on 25 May 2012. Details of the property swap agreement were set out in announcement of the Company dated 24 February 2012.

The Group has invested in shares of certain companies that are traded over the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2012, the Group has acquired and disposed of equity securities of a company listed on the Stock Exchange. As at 31 December 2012, the Group held long-term and short-term investments with fair value of approximately HK$22,332,000 and HK$1,133,000, respectively.

Saved as disclosed above, the Group did not have any other significant investment and there is no other 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 2012, the Group's bank deposits in the amount of approximately HK$1,161,000 (31 December 2011: approximately HK$1,158,000) had been pledged to banks for the requirement of the customs authorities of the PRC.

As at 31 December 2012, the Group has pledged land and buildings with net book value of approximately HK$13,752,000 (31 December 2011: approximately HK$10,824,000) to secure general banking facilities granted to the Group.

Details of the contingent liabilities as at 31 December 2012 are set out in note 15 to the financial statements in this announcement.

Employees and Remuneration Policies

As at 31 December 2012, the Group has approximately 115 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 2012, the total shareholders fund of the Group amounted to approximately HK$259,093,000 (2011: HK$217,682,000), total assets of approximately HK$289,020,000 (2011: HK$252,200,000), current liabilities of approximately HK$22,182,000 (2011: HK$24,550,000) and non-current liabilities of approximately HK$7,745,000 (2011: HK$9,968,000).

The debt ratio (based on the total liabilities over the equity) of the Group decreased from the ratio of 0.16 as at 31 December 2011 to 0.12 as at 31 December 2012.

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 2012 at the forthcoming annual general meeting (2011: 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 2012.

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the shareholders' value and safeguarding interest of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

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, A.4.1 and A.6.7 which are explained in the relevant paragraph in this announcement. 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. Chan Chi Yuen, 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.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive director of the Company did not attend the annual general meeting of the Company (the "AGM") held on 8 May 2012 due to other work commitments. The Company will strengthen its AGM planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all Directors attending the Company's future AGM.

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 2012.

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
Chan Chi Yuen
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the board of directors of the Company comprise two executive directors, Mr. Chan Chi Yuen and Mr. Yu Pak Yan, Peter; and three independent non-executive directors, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.