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KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the “Board”) of Kong Sun Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	3,126	3,426
Cost of sales		(2,354)	(3,104)
Gross profit		772	322
Other gains and losses	5	486	1,547
Loss on fair value changes of held-for-trading investments		–	(98)
Impairment loss on available-for-sale financial assets		–	(3,200)
Gain on disposal of available-for-sale financial assets		8,500	–
Distribution and selling expenses		(12)	(52)
Administrative expenses		(11,887)	(6,747)
Finance costs	6	(194)	(145)
Loss before tax	7	(2,335)	(8,373)
Income tax credit	8	–	160
Loss for the period attributable to owners of the Company		(2,335)	(8,213)
Loss per share			
Basic	9	HK(0.13) cents	HK(0.65) cents
Diluted	9	HK(0.13) cents	HK(0.65) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(2,335)</u>	<u>(8,213)</u>
Other comprehensive income (expense)		
<i>Items that will not be reclassified to consolidated statement of profit or loss:</i>		
Exchange differences arising on translation of foreign operations	12	(11)
<i>Items that have been reclassified or may be reclassified to consolidated statement of profit or loss:</i>		
(Loss) gain on fair value changes of available-for-sale financial assets	(6,383)	4,759
Reclassification adjustment transfer to consolidated statement of profit and loss upon disposal of available-for-sale financial assets	(8,500)	–
Impairment loss on available-for-sale financial assets	<u>–</u>	<u>3,200</u>
Other comprehensive (expense) income for the period (net of tax)	<u>(14,871)</u>	<u>7,948</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(17,206)</u>	<u>(265)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	11	95,900	95,900
Property, plant and equipment	12	41,639	42,786
Prepaid lease payments		12,767	13,003
Available-for-sale financial assets	13	–	42,105
		150,306	193,794
Current assets			
Inventories		1,062	1,023
Loan receivables		–	10,000
Trade receivables	14	242	722
Other receivables, prepayments and deposits		8,239	1,585
Prepaid lease payments		473	473
Held-for-trading investments		–	1,073
Pledged bank deposits		219	136
Bank balances and cash		148,065	111,841
		158,300	126,853
Current liabilities			
Trade payables, other payables and accrued charges	15	17,419	12,983
Borrowings		10,174	9,457
Obligations under finance leases		312	301
		27,905	22,741
Net current assets		130,395	104,112
Total assets less current liabilities		280,701	297,906
Non-current liabilities			
Obligations under finance leases		992	991
Deferred tax liabilities		7,466	7,466
		8,458	8,457
Net assets		272,243	289,449
Equity			
Share capital: nominal value	16	–	17,627
Other statutory capital reserves	16	–	328,724
Share capital and other statutory capital reserves	16	346,351	346,351
Other reserves		(74,108)	(56,902)
Total equity		272,243	289,449

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial statements as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company’s registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2014.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial statements as the Group did not have impaired non-financial assets as at 30 June 2014.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial statements as the Group did not hold any derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial statements as the guidance is consistent with the Group's existing accounting policies.

3. TURNOVER

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of life-like plants	2,036	3,104
Properties rental income	1,090	322
	<u>3,126</u>	<u>3,426</u>

4. SEGMENT INFORMATION

Up to 30 June 2014, the Group is organized into four (for the six months ended 30 June 2013: three) reportable operating segments. The reportable operating segments and their principal activities are as follows:

- (a) Manufacturing and sales of life-like plants
- (b) Properties investment
- (c) Securities investment
- (d) Photovoltaic power stations investment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period under review:

For the six months ended 30 June (Unaudited)

	Properties investment		Manufacturing and sales of life-like plants		Securities investment		Photovoltaic power stations investment		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>1,090</u>	<u>322</u>	<u>2,036</u>	<u>3,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,126</u>	<u>3,426</u>
Segment revenue	<u>1,090</u>	<u>322</u>	<u>2,036</u>	<u>3,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,126</u>	<u>3,426</u>
Segment profit (loss)	<u>384</u>	<u>132</u>	<u>(3,350)</u>	<u>(4,704)</u>	<u>7,965</u>	<u>6,064</u>	<u>-</u>	<u>-</u>	<u>4,999</u>	<u>1,492</u>
Unallocated corporate operating income									1,645	3
Unallocated corporate operating expenses									(8,785)	(9,723)
Finance costs									<u>(194)</u>	<u>(145)</u>
Loss before tax									<u>(2,335)</u>	<u>(8,373)</u>

Segment assets and liabilities

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Segment assets		
Manufacturing and sales of life-like plants	60,533	64,167
Properties investment	95,936	99,083
Securities investment	214	103,406
Photovoltaic power stations investment	6,625	—
Total segment assets	163,308	266,656
Unallocated corporate assets	145,298	53,991
Consolidated total assets	308,606	320,647
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Segment liabilities		
Manufacturing and sales of life-like plants	1,304	1,224
Properties investment	831	343
Securities investment	—	—
Photovoltaic power stations investment	—	—
Total segment liabilities	2,135	1,567
Unallocated corporate liabilities	34,228	29,631
Consolidated total liabilities	36,363	31,198

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net foreign exchange (loss) gain	(1,076)	543
(Loss) gain on disposal of property, plant and equipment	(83)	131
Interest income	1,299	797
Vehicle rental income	139	73
Sundry income	207	3
	486	1,547

6. FINANCE COSTS

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within one year	144	138
Finance leases	50	7
	<u>194</u>	<u>145</u>

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging the following items:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Auditor's remuneration	15	–
Staff costs:		
Directors' remuneration	647	1,180
Wages, salaries and other benefits	2,843	2,624
Retirement benefit costs (excluding directors)	134	77
	<u>3,624</u>	<u>3,881</u>
Total staff costs	3,624	3,881
Cost of inventories recognised as expenses	1,512	3,104
Depreciation of property, plant and equipment	1,119	2,202
Amortisation of prepaid lease payments	236	236
Operating lease rental on rented premises	318	313

8. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax was made as the Group did not have any assessable profits for the period.

Income tax for the period ended 30 June 2013 represents the net amount of deferred taxation credit of approximately HK\$160,000.

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:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(2,335)</u>	<u>(8,213)</u>
	Number of shares for the six months ended 30 June	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,762,662</u>	<u>1,257,318</u>

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2014.

For the six months ended 30 June 2013, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the period.

10. DIVIDEND

No dividend were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

11. INVESTMENT PROPERTIES

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Investment properties, stated at fair value	<u>95,900</u>	<u>95,900</u>

At 30 June 2014, the directors have considered that the fair value of the Group's investment properties had not significantly changed from its carrying amount of approximately HK\$95,900,000 as at 31 December 2013 and accordingly, no fair value change has been recognised in the condensed consolidated statement of profit or loss in the current period. The investment properties of the Group are situated in Hong Kong and held under long-term leases.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at a cost of approximately HK\$1,354,000 (2013: approximately HK\$2,455,000). Certain motor vehicles and furniture and fixtures with a net book value of HK\$1,040,000 were disposed of during the six months ended 30 June 2014 (2013: HK\$1,229,000), resulting in a loss on disposal of HK\$83,000 (2013: gain on disposal of HK\$131,000).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>–</u>	<u>42,105</u>

Available-for-sale financial assets comprise equity securities listed in Hong Kong and are stated at fair values which have been determined by reference to published price quotations on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

14. TRADE RECEIVABLES

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.

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
1–30 days	242	709
31–90 days	–	8
91–180 days	<u>–</u>	<u>5</u>
	<u>242</u>	<u>722</u>

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables	91	148
Other payables and accrued charges	<u>17,328</u>	<u>12,835</u>
	<u>17,419</u>	<u>12,983</u>

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
1–30 days	<u>91</u>	<u>148</u>

The average credit period on purchases of goods is 1 to 60 days.

16. SHARE CAPITAL

		30 June 2014 (Unaudited)		31 December 2013 (Audited)	
		<i>Number of shares</i>		<i>Number of shares</i>	
	<i>Note</i>	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
Authorised	(i)				
Ordinary shares of HK\$0.01 each	(ii)	<u>–</u>	<u>–</u>	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid					
Ordinary shares of HK\$0.01 each					
At beginning of the period		1,762,662	17,627	1,468,962	14,690
Issue of new shares		–	–	293,700	2,937
Transition to no par value regime on 3 March 2014	(iii)	<u>–</u>	<u>328,724</u>	<u>–</u>	<u>–</u>
		<u>1,762,662</u>	<u>346,351</u>	<u>1,762,662</u>	<u>17,627</u>

On 28 May 2014, the Company conditionally agreed to allot and issue 6,528,080,000 new shares of the Company at the price of HK\$0.36 per share (the “New Issue”).

On 8 August 2014, the New Issue was completed and a total of 6,528,080,000 new shares had been issued.

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), which came into effect on 3 March 2014, the concept of authorised share capital no longer exists.
- (ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company’s shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders of the Company as a result of this transition.
- (iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company’s share capital.

17. OPERATING LEASE

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	626	626
In the second to fifth years	154	467
	780	1,093

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 3 years (31 December 2013: 3 years) with fixed monthly rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	2,139	2,044
In the second to fifth years	1,884	2,577
	4,023	4,621

Property rental income earned during the six months ended 30 June 2014 was approximately HK\$1,090,000 (2013: HK\$322,000). The properties are expected to generate rental yields of 2.27% (31 December 2013: 1.3%) on an ongoing basis. The properties held have committed tenants for the coming one to three years.

Motor vehicle rental income earned during the six months ended 30 June 2014 was approximately HK\$139,000 (2013: HK\$73,000). The motor vehicle is expected to generate rental yields of 25.1% (31 December 2013: 20.81%) on an ongoing basis. The motor vehicle held has committed tenants for the next 2 years.

18. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang (“CYW”), who claims himself as an investor of Easternnet 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. Subsequently, CYW took no further proceedings in the action, and up to the date of approval of these financial statements, such notice had not been filed by CYW nor served on the Company.

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 30 June 2014 and 31 December 2013, 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.

19. RELATED PARTIES TRANSACTIONS

(a) Related party transactions

During the period, the Group entered into the following transactions with related parties:

Name of the Company	Nature of transactions	Relationship	Common directorship	For the six months ended 30 June	
				2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
M Dream Inworld Limited	Rental income	Related Company	Mr. Yu Pak Yan, Peter	–	17

(b) Compensation of directors of the Company and key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
Short-term benefits	767	1,110

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

As stated in the 2013 annual report of the Company, the Company is looking for new investments and business opportunities. In May 2014, the Company entered into a subscription agreement to issue 6,528,080,000 new shares of the Company to establish a funding source for such purposes. The issuance of new shares by the Company was completed on 8 August 2014 and a total net proceeds amounted to HK\$2,338.1 million was received by the Company. For further details of the issuance of new shares by the Company, please refer to the heading "ISSUE OF NEW SHARES AND POST BALANCE SHEET EVENT".

Properties Investment

The total rental income of the Group from its properties investment increased by 238.5% from approximately HK\$322,000 for the six months ended 30 June 2013 to approximately HK\$1,090,000 for the six months ended 30 June 2014, driven by an increase in more units of the Group's investment properties were being rented out during the period.

Life-Like Plants Business

The turnover from life-like plants business decreased by 34.4% from approximately HK\$3,104,000 for the six months ended 30 June 2013 to approximately HK\$2,036,000 for the six months ended 30 June 2014. The life-like plants business continues to be loss making, but the loss has been reduced from approximately HK\$4,704,000 for the six months ended 30 June 2013 to approximately HK\$3,350,000 for the six months ended 30 June 2014.

Securities Investment

For the six months ended 30 June 2014, the Group had recorded a gain on disposal of available-for-sale financial assets amounted to approximately HK\$8.5 million (2013: Nil). During the six months ended 30 June 2014, the Group had disposed of all of its securities investments and the Group did not hold any investment in securities as at 30 June 2014.

Photovoltaic Power Station Business

In April 2014, the Company entered into several memoranda of understanding and a cooperation agreement on proposed acquisition of photovoltaic power stations in the People's Republic of China (the "PRC"), as follows:

Location of project	Capacity of power stations	Intended equity interests to be acquired	Estimated total development costs for project
Gansu Province	30 mega-watts	100%	RMB255 million (approximately HK\$318.75 million)
Lincheng County, Hebei Province	50 mega-watts	100%	RMB425 million (approximately HK\$531.25 million)
Anhui and Yunnan Provinces	261 mega-watts	50%	RMB2,140 million (approximately HK\$2,675 million)

As at the date of this announcement, the Company has not entered into formal agreements regarding the above projects.

In addition, the Company entered into agreements to acquire 100% equity interests in two photovoltaic power stations in the PRC, as follows:

Date of acquisition	Location of project	Capacity of power station	Acquisition costs	Estimated total development costs for project
30 April 2014	Inner Mongolia	10 mega-watts	RMB570,000 (approximately HK\$712,500)	RMB85 million (approximately HK\$106.25 million)
7 July 2014	Shaanxi Province	300 mega-watts	RMB204 million (approximately HK\$255 million)	RMB2,700 million (approximately HK\$3,375 million)

With the completion of the issuance of new shares by the Company as explained above, the Company will actively seek business opportunities to diversify its source of revenue, and in particular, focusing on the development projects on photovoltaic power stations.

Results of Operations

Turnover

The turnover of the Group decreased by 8.8% from approximately HK\$3,426,000 for the six months ended 30 June 2013 to approximately HK\$3,126,000 for the six months ended 30 June 2014. The decrease was primarily due to a decrease in the turnover from the sales of life-like plants from approximately HK\$3,104,000 for the six months ended 30 June 2013 to approximately HK\$2,036,000 for the six months ended 30 June 2014. The decrease was partially offset by an increase in properties rental income from approximately HK\$322,000 for the six months ended 30 June 2013 to approximately HK\$1,090,000 for the six months ended 30 June 2014.

Gross profit

The gross profit of the Group increased by 139.8% from approximately HK\$322,000 for the six months ended 30 June 2013 to HK\$772,000 for the six months ended 30 June 2014, mainly because of an increased gross profit margin due to more investment properties being rented out during the period.

Other gains and losses

Other gains and losses decreased by 68.6% from approximately HK\$1,547,000 for the six months ended 30 June 2013 to approximately HK\$486,000 for the six months ended 30 June 2014. The decrease is mainly due to the net foreign exchange loss amounted to approximately HK\$1,076,000 for the six months ended 30 June 2014 (2013: gain of approximately HK\$543,000), which was partially offset by the increase in interest income from approximately HK\$797,000 for the six months ended 30 June 2013 to approximately HK\$1,299,000 for the six months ended 30 June 2014.

Loss on fair value changes of held-for-trading investments and impairment loss on available-for-sale financial assets

The Group had disposed of all of its held-for-trading investments and available-for-sale financial assets during the six months ended 30 June 2014 and did not hold any securities investments as at 30 June 2014. Accordingly, there were no fair value changes and impairment loss on its securities investments as at the period end.

Gain on disposal of available-for-sale financial assets

For the six months ended 30 June 2014, the Group had disposed of all of its securities investments and a gain on disposal of available-for-sale financial assets amounted to approximately HK\$8,500,000 was credited to the consolidated statement of profit or loss.

Administrative expenses

Administrative expenses increased by 76.2% from approximately HK\$6,747,000 for the six months ended 30 June 2013 to approximately HK\$11,887,000 for the six months ended 30 June 2014. The increase was attributable to increases in legal and other professional fees amounted to HK\$5,315,000 in relation to, including but not limited to, the issue of new shares by the Company.

Investment properties

The Group continues to hold certain investment properties in Hong Kong for rental purposes. As at 30 June 2014, the directors of the Company considered that the fair value of the Group's investment properties had not significantly changed from its carrying amount of HK\$95,900,000 as at 31 December 2013 and accordingly, no fair value change has been recognized in the consolidated statement of profit or loss in the current period.

Bank balances and cash

The bank balances and cash increased by 32.4% from approximately HK\$111,841,000 as at 31 December 2013 to approximately HK\$148,065,000 as at 30 June 2014. The increase was mainly attributable to the proceeds from the disposal of the Group's securities investments during the six months ended 30 June 2014.

Liquidity and Capital Resources

As at 30 June 2014, the total amount of cash and cash equivalents and pledged bank deposits was approximately HK\$148,284,000 (31 December 2013: approximately HK\$111,977,000). As at 30 June 2014, cash and cash equivalents of the Group was approximately HK\$148,065,000 (31 December 2013: approximately HK\$111,841,000), which included an amount of bank deposits equivalent to approximately HK\$1,016,000 (31 December 2013: approximately HK\$47,555,000), denominated in RMB. The remaining balance of the Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in HK\$ denominated accounts with banks in Hong Kong.

As at 30 June 2014, the Group's debt ratio, which was calculated by the total liabilities over the total equity, increased from the ratio of 0.11 as at 31 December 2013 to 0.13 as at 30 June 2014.

Capital expenditure

During the period under review, the Group's total expenditure in respect of property, plant and equipment amounted to approximately HK\$1,354,000 (2013: approximately HK\$2,455,000).

Borrowings

As at 30 June 2014, the Group's total borrowings was approximately HK\$10,174,000, representing an increase of approximately HK\$717,000 over an amount of approximately HK\$9,457,000 as at 31 December 2013. All the borrowings of the Group, except for an equivalent amount of approximately HK\$897,000 (31 December 2013: approximately HK\$1,524,000) which were denominated in RMB, were denominated in HK\$, the functional currency of the Group.

Foreign Exchange Risk

During the period under review, the Group's revenue were primarily denominated in HK\$, being the functional currency of the Group's major operating subsidiaries, therefore, the Board expects the future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose.

Charge On Assets and Contingent Liabilities

As at 30 June 2014, the Group has pledged land and buildings with net book value of approximately HK\$13,009,000 (31 December 2013: approximately HK\$13,237,000) to secure general banking facilities granted to the Group.

As at 30 June 2014, the Group's bank deposits in the amount of approximately HK\$219,000 (31 December 2013: approximately HK\$136,000) had been pledged to a bank for the requirement of the customs authorities of the PRC.

As at 30 June 2014, the Group had no significant contingent liabilities (31 December 2013: Nil).

Employees and Remuneration Policy

As at 30 June 2014, the Group had approximately 110 employees located in Hong Kong and the PRC (31 December 2013: 125). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2014, the total employees compensation expenses were approximately HK\$2,977,000 (2013: approximately HK\$2,701,000). The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

Prospect

To diversify the revenue stream of the Group, the Board has started to evaluate different kinds of investments in both Hong Kong and the PRC in the first half of 2014. In particular, the Group had for the first time invested in certain photovoltaic power stations during the period under review. As more and more attention is being paid on the clean energy sector worldwide, the Board is confident that its investments in the photovoltaic power stations would create high investment returns for the Group in the long run.

Looking forward, the Group will continue to review its investment portfolio from time to time and in particular, grasp the opportunities in investing in photovoltaic power stations to pursue a strong and rapid growth, with an aim to maximizing the investment returns for its shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for its corporate governance practices during the period under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2014.

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, 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.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

ISSUE OF NEW SHARES AND POST BALANCE SHEET EVENT

On 28 May 2014, the Company entered into a subscription agreement to allot and issue 6,528,080,000 new shares (the "New Shares") of the Company at the price of HK\$0.36 per share (the "New Issue"). The New Shares represent 78.74% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

On 8 August 2014, the Company further announced that the New Issue had been completed and the net proceeds of approximately HK\$2,338.1 million was received by the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2014. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee has reviewed the Group’s consolidated financial statements for the six months ended 30 June 2014 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The Audit Committee consists of three independent non-executive Directors: Mr. Man Kwok Leung, Dr. Wong Yun Kuen and Mr. Miu Hon Kit. Mr. Miu Hon Kit serves as the chairman of the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company’s website at www.kongsun-hldgs.com. The interim report for the six months ended 30 June 2014 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Kong Sun Holdings Limited
Yu Pak Yan, Peter
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the board of directors of the Company comprise three executive directors, Mr. Yu Pak Yan, Peter, Mr. Chang Hoi Nam and Mr. Liu Wen Ping and three independent non-executive directors, Mr. Man Kwok Leung and Dr. Wong Yun Kuen and Mr. Miu Hon Kit.