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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)

## 2009 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 2009.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

|   | Notes | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Continuing Operations</b>  |       |                  |                  |
| Turnover  | 3     | 89,953           | —                |
| Cost of sales   |       | (77,525)         | —                |
| Gross profit  |       | 12,428           | —                |
| Other revenue   | 5     | 7,568            | 2,011            |
| Discount on acquisition of subsidiaries   |       | —                | 49,820           |
| Fair value change of convertible bonds designated at financial liabilities at fair value through profit or loss |       | (21,864)         | 53,800           |
| Gain on disposal of subsidiaries  | 16    | 24,433           | —                |
| Share of results of associates  |       | —                | (1,999)          |
| Impairment loss recognised in respect of interests in associates  |       | —                | (91,020)         |
| Distribution and selling expenses   |       | (1,958)          | —                |
| Administrative expenses   |       | (20,824)         | (8,184)          |
| Finance costs   | 6     | (10,523)         | (8,119)          |
| Loss before tax   |       | (10,740)         | (3,691)          |
| Income tax expense  | 7     | (1,694)          | —                |
| Loss for the year from continuing operations  | 8     | (12,434)         | (3,691)          |
| <b>Discontinued Operation</b>   |       |                  |                  |
| Profit (loss) for the year from discontinued operation  | 9     | 16               | (39,537)         |
| Loss for the year   |       | (12,418)         | (43,228)         |
| Loss for the year attributable to Owners of the Company   |       | (12,418)         | (43,227)         |
| Minority interests  |       | —                | (1)              |
|   |       | (12,418)         | (43,228)         |
| Dividends   | 10    | —                | —                |
| <b>Loss per share</b>   | 11    |                  |                  |
| From continuing and discontinued operations   |       |                  |                  |
| Basic and diluted   |       | HK(4.35) cents   | HK(33.55) cents  |
| From continuing operations  |       |                  |                  |
| Basic and diluted   |       | HK(4.36) cents   | HK(2.86) cents   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2009*

|  | <b>2009</b><br><b><i>HK\$'000</i></b> | 2008<br><i>HK\$'000</i> |
|--|---------------------------------------|-------------------------|
| Loss for the year  | <b>(12,418)</b>                       | (43,228)                |
| Exchange differences arising on translation of<br>foreign operations and other comprehensive<br>(expense) income for the year (net of tax) | <u><b>(201)</b></u>                   | <u>2,047</u>            |
| Total comprehensive expenses for the year  | <u><b>(12,619)</b></u>                | <u><b>(41,181)</b></u>  |
| Total comprehensive expenses attributable to   |                                       |                         |
| Owners of the Company  | <b>(12,619)</b>                       | (41,180)                |
| Minority interests   | <u>–</u>                              | <u>(1)</u>              |
|  | <u><b>(12,619)</b></u>                | <u><b>(41,181)</b></u>  |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2009*

|  | <i>Notes</i> | <b>2009</b><br><b>HK\$'000</b> | <b>2008</b><br><b>HK\$'000</b> |
|--|--------------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>  |              |                                |                                |
| Investment properties  |              | <b>50,315</b>                  | 45,000                         |
| Property, plant and equipment  |              | <b>37,266</b>                  | 35,438                         |
| Prepaid lease payments   |              | <b>14,894</b>                  | 15,367                         |
| Interests in associates  |              | –                              | –                              |
| Available-for-sale investment  |              | –                              | –                              |
|  |              | <b>102,475</b>                 | 95,805                         |
| <b>Current assets</b>  |              |                                |                                |
| Inventories  | 12           | <b>13,001</b>                  | 17,832                         |
| Trade and bills receivables  | 13           | <b>3,623</b>                   | 14,629                         |
| Other receivables and prepayments  |              | <b>3,082</b>                   | 735                            |
| Prepaid lease payments   |              | <b>473</b>                     | 473                            |
| Tax recoverable  |              | <b>126</b>                     | –                              |
| Loan and interest receivables  |              | –                              | –                              |
| Consideration receivables  |              | –                              | –                              |
| Held for trading investments   |              | <b>4,063</b>                   | –                              |
| Pledged deposits   |              | <b>1,341</b>                   | 6,809                          |
| Bank balances and cash   |              | <b>124,255</b>                 | 78,202                         |
|  |              | <b>149,964</b>                 | 118,680                        |
| <b>Current liabilities</b>   |              |                                |                                |
| Trade and other payables   | 14           | <b>10,750</b>                  | 38,717                         |
| Other borrowings   |              | –                              | 4,784                          |
| Tax liabilities  |              | –                              | 356                            |
| Convertible bonds designated at financial liabilities at fair value through profit or loss |              | –                              | 87,200                         |
| Promissory notes   |              | –                              | 12,818                         |
|  |              | <b>10,750</b>                  | 143,875                        |
| <b>Net current assets (liabilities)</b>  |              | <b>139,214</b>                 | (25,195)                       |
| <b>Total assets less current liabilities</b>   |              | <b>241,689</b>                 | 70,610                         |
| <b>Non-current liabilities</b>   |              |                                |                                |
| Convertible bonds designated at financial liabilities at fair value through profit or loss |              | <b>11,600</b>                  | 8,000                          |
| Promissory notes   |              | <b>23,130</b>                  | 21,252                         |
| Deferred tax liabilities   |              | <b>12,895</b>                  | 11,200                         |
|  |              | <b>47,625</b>                  | 40,452                         |
| <b>Net assets</b>  |              | <b>194,064</b>                 | 30,158                         |
| <b>Capital and reserves</b>  |              |                                |                                |
| Share capital  |              | <b>83,782</b>                  | 320,116                        |
| Reserves   |              | <b>110,282</b>                 | (289,969)                      |
| <b>Equity attributable to owners of the Company</b>  |              | <b>194,064</b>                 | 30,147                         |
| <b>Minority interests</b>  |              | –                              | 11                             |
| <b>Total equity</b>  |              | <b>194,064</b>                 | 30,158                         |

## 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.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 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 standards, amendments or interpretations (“new and revised HKFRSs”) issued by the HKICPA.

|   |  |
|---|--|
| Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007)   | Presentation of Financial Statements   |
| HKAS 23 (Revised 2007)                                    | Borrowing Costs  |
| HKAS 32 & 1 (Amendments)                                  | Puttable Financial Instruments and Obligations Arising on Liquidation  |
| HKFRS 1 & HKAS 27 (Amendments)                            | Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate   |
| HKFRS 2 (Amendment)                                       | Vesting Conditions and Cancellations   |
| HKFRS 7 (Amendment)                                       | Improving Disclosures about Financial instruments  |
| HKFRS 8   | Operating Segments   |
| HK(IFRIC)-Interpretation (“Int”) 9 & HKAS 39 (Amendments) | Embedded Derivatives   |
| HK(IFRIC)-Int 13  | Customer Loyalty Programmes  |
| HK(IFRIC)-Int 15  | Agreements for the Construction of Real Estate   |
| HK(IFRIC)-Int 16  | Hedges of a Net Investment in a Foreign Operation  |
| HK(IFRIC)-Int 18  | Transfer of Assets from Customers  |
| HKFRSs (Amendments)                                       | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009 |
| HKFRSs (Amendments)                                       | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39  |

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

#### HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

## Improving Disclosures about Financial Instruments

### (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

|                              |   |
|------------------------------|---|
| HKFRSs (Amendments)          | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>                   |
| HKFRSs (Amendments)          | Improvements to HKFRSs 2009 <sup>2</sup>  |
| HKAS 24 (Revised)            | Related Party Disclosures <sup>6</sup>  |
| HKAS 27 (Revised)            | Consolidated and Separate Financial Statements <sup>1</sup>                                 |
| HKAS 32 (Amendment)          | Classification of Rights Issues <sup>4</sup>  |
| HKAS 39 (Amendment)          | Eligible Hedge Items <sup>1</sup>   |
| HKFRS 1 (Revised)            | First-time Adoption of HKFRSs <sup>1</sup>  |
| HKFRS 1 (Amendment)          | Additional Exemptions for First-time Adopters <sup>3</sup>                                  |
| HKFRS 1 (Amendment)          | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>5</sup> |
| HKFRS 2 (Amendment)          | Group Cash-settled Share-based Payment Transactions <sup>3</sup>                            |
| HKFRS 3 (Revised)            | Business Combinations <sup>1</sup>  |
| HKFRS 9                      | Financial Instruments <sup>7</sup>  |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement <sup>6</sup>                                   |
| HK(IFRIC)-Int 17             | Distributions of Non-cash Assets to Owners <sup>1</sup>                                     |
| HK(IFRIC)-Int 19             | Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>                    |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipated that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

### 3. TURNOVER

Turnover represents revenue arising on sale of life-like plants and rental income for the year. An analysis of the Group's turnover for the year from continuing operations is as follows:

|                           | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Sales of life-like plants | 88,268           | —                |
| Properties rental income  | 1,685            | —                |
|                           | <u>89,953</u>    | <u>—</u>         |

The direct operating expenses from investment properties that generated rental income amounted to approximately HK\$184,000 (2008: nil) for the year ended 31 December 2009.

### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is organised into two (2008: three) reportable operating segments. The reportable operating segments and their principal activities are as follows:

- (a) Properties investment and development
- (b) Manufacturing and sales of life-like plants
- (c) Financial services (discontinued during the year ended 31 December 2009)

The Group was involved in the rendering of financial services, which was reported as a separate business segment under HKAS 14. That operation was discontinued with effect from 30 November 2009 (note 9).

### 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 2009

|  | <b>Properties<br/>investment and<br/>development<br/><i>HK\$'000</i></b> | <b>Manufacturing<br/>and sales of<br/>life-like plants<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|--|--|--|----------------------------------|
| Segment revenue  | <u><u>1,685</u></u>  | <u><u>88,268</u></u>   | <u><u>89,953</u></u>             |
| Segment profit (loss)  | <u><u>1,218</u></u>  | <u><u>(2,848)</u></u>  | <u><u>(1,630)</u></u>            |
| Fair value change of convertible bonds<br>designated at financial liabilities at FVTPL |  |  | (21,864)                         |
| Gain on disposal of subsidiaries   |  |  | 24,433                           |
| Fair value change of investment properties   |  |  | 5,315                            |
| Fair value change of held for trading investments                                      |  |  | (1,772)                          |
| Unallocated corporate operating income   |  |  | 1,278                            |
| Unallocated corporate operating expenses   |  |  | (5,977)                          |
| Finance costs  |  |  | <u>(10,523)</u>                  |
| Loss before tax (continuing operations)  |  |  | <u><u>(10,740)</u></u>           |

For the year ended 31 December 2008

|  | Properties<br>investment and<br>development<br><i>HK\$'000</i> | Manufacturing<br>and sales of<br>life-like plants<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--------------------------|
| Segment revenue  | <u>–</u>   | <u>–</u>   | <u>–</u>                 |
| Segment loss   | <u>(501)</u>   | <u>–</u>   | (501)                    |
| Discount on acquisition of subsidiaries  |  |  | 49,820                   |
| Impairment loss recognised in respect of<br>interests in associates                    |  |  | (91,020)                 |
| Fair value change of convertible bonds<br>designated at financial liabilities at FVTPL |  |  | 53,800                   |
| Unallocated corporate operating income   |  |  | 2,011                    |
| Unallocated corporate operating expenses   |  |  | (7,683)                  |
| Finance costs  |  |  | (8,119)                  |
| Share of results of associates   |  |  | <u>(1,999)</u>           |
| Loss before tax (continuing operations)  |  |  | <u>(3,691)</u>           |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, certain interest income, directors' salaries, fair value change of convertible bonds designated at financial liabilities at FVTPL, fair value change of held of trading investments and finance costs.

### Segment assets and liabilities

|   | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Segment assets</b>                       |                         |                         |
| Continuing operations:                      |                         |                         |
| Properties investment and development       | 51,340                  | 45,715                  |
| Manufacturing and sales of life-like plants | <u>92,473</u>           | <u>104,953</u>          |
| Total segment assets                        | 143,813                 | 150,668                 |
| Assets relating to discontinued operation   | –                       | 1                       |
| Unallocated corporate assets                | <u>108,626</u>          | <u>63,816</u>           |
| Consolidated assets                         | <u>252,439</u>          | <u>214,485</u>          |



|  | 2009<br>HK\$'000     | 2008<br>HK\$'000      |
|--|----------------------|-----------------------|
| <b>Segment liabilities</b>                     |                      |                       |
| Continuing operations:                         |                      |                       |
| Properties investment and development          | 402                  | 12,310                |
| Manufacturing and sales of life-like plants    | <u>3,906</u>         | <u>13,507</u>         |
| Total segment liabilities                      | 4,308                | 25,817                |
| Liabilities relating to discontinued operation | –                    | 19                    |
| Unallocated corporate liabilities              | <u>54,067</u>        | <u>158,491</u>        |
| Consolidated liabilities                       | <u><u>58,375</u></u> | <u><u>184,327</u></u> |

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

- As at 31 December 2009, all assets are allocated to reportable segments other than certain other receivables and prepayments, tax recoverable, held for trading investments and certain bank balances and cash as these assets are managed on a group basis.
- As at 31 December 2009, all liabilities are allocated to reportable segments other than certain other payables, current and deferred tax liabilities, convertible bonds designated at financial liabilities at FVTPL and promissory notes as these liabilities are managed on a group basis.

### Other segment information

#### For the year ended 31 December 2009

|   | Continuing operations                             |   | Discontinued operation         |                         |                   |
|---|---|---|--------------------------------|-------------------------|-------------------|
|   | Properties investment and development<br>HK\$'000 | Manufacturing and sales of life-like plants<br>HK\$'000 | Financial services<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
| Amounts included in the measure of segment profit or loss or segment assets:  |   |   |                                |                         |                   |
| Capital expenditure   | 63  | 4,708   | –                              | –                       | 4,771             |
| Amortisation of prepaid lease payments  | –   | 473   | –                              | –                       | 473               |
| Depreciation of property, plant and equipment   | 108   | 2,835   | –                              | –                       | 2,943             |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: |   |   |                                |                         |                   |
| Fair value change of investment properties  | (5,315)   | –   | –                              | –                       | (5,315)           |
| Interest income   | –   | (20)  | –                              | (241)                   | (261)             |
| Finance costs   | –   | –   | –                              | 10,523                  | 10,523            |
| Income tax expense  | –   | –   | –                              | 1,694                   | 1,694             |
| Fair value change of held for trading investments   | –   | –   | –                              | 1,772                   | 1,772             |
| Gain on disposal of held for trading investments  | <u>–</u>  | <u>–</u>  | <u>–</u>                       | <u>(105)</u>            | <u>(105)</u>      |

For the year ended 31 December 2008

|   | Continuing operations                                    |  | Discontinued operation                |                                |                          |
|---|--|--|---------------------------------------|--------------------------------|--------------------------|
|   | Properties investment and development<br><i>HK\$'000</i> | Manufacturing and sales of life-like plants<br><i>HK\$'000</i> | Financial services<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Amounts included in the measure of segment profit or loss or segment assets:  |  |  |                                       |                                |                          |
| Capital expenditure through acquisition of subsidiaries   | 45,491   | 50,787   | –                                     | –                              | 96,278                   |
| Impairment loss recognised in respect of other receivables  | 390  | –  | –                                     | –                              | 390                      |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: |  |  |                                       |                                |                          |
| Discount on acquisition of subsidiaries   | (18,162)   | (31,658)   | –                                     | –                              | (49,820)                 |
| Impairment loss recognised in respect of interests in associates  | 91,020   | –  | –                                     | –                              | 91,020                   |
| Impairment loss in respect of loan receivables  | –  | –  | 39,510                                | –                              | 39,510                   |
| Share of results of associates  | 1,999  | –  | –                                     | –                              | 1,999                    |
| Finance costs   | <u>–</u>   | <u>–</u>   | <u>–</u>                              | <u>8,119</u>                   | <u>8,119</u>             |

*Note:* Non-current assets excluded those relating to discontinued operations 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:

|                        | Year ended 31 December  |                         |
|------------------------|-------------------------|-------------------------|
|                        | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
| Christmas tree         | 88,268                  | –                       |
| Office building rental | <u>1,685</u>            | <u>–</u>                |
|                        | <u><b>89,953</b></u>    | <u><b>–</b></u>         |

## Geographical information

The Group's operations are located on Hong Kong (place of domicile), the People's Republic of China (the "PRC"), United States of America (the "USA") and other countries.

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<br>external customers |          | Non-current<br>assets |               |
|-------------------------------|------------------------------------|----------|-----------------------|---------------|
|                               | Year ended                         |          | As at                 |               |
|                               | 2009                               | 2008     | 2009                  | 2008          |
|                               | HK\$'000                           | HK\$'000 | HK\$'000              | HK\$'000      |
| Hong Kong (place of domicile) | 2,961                              | —        | 50,761                | 45,491        |
| PRC                           | —                                  | —        | 51,714                | 50,314        |
| USA                           | 82,721                             | —        | —                     | —             |
| Others                        | 4,271                              | —        | —                     | —             |
|                               | <u>89,953</u>                      | <u>—</u> | <u>102,475</u>        | <u>95,805</u> |

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

## Information about major customers

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

|            | Year ended 31 December |            |
|------------|------------------------|------------|
|            | 2009                   | 2008       |
|            | HK\$'000               | HK\$'000   |
| Customer A | <u>81,232</u>          | <u>N/A</u> |

All revenue generated from the major customers relate to the sale of life-like plants. Customer A has not contributed over 10% of the total sales of the Group during the year ended 31 December 2008.

## 5. OTHER REVENUE

|  | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|--|------------------|------------------|
| <b>Continuing operations</b>                     |                  |                  |
| Fair value change of investment properties       | 5,315            | —                |
| Payables waived by creditors                     | 783              | —                |
| Other borrowing waived by lender                 | 261              | —                |
| Interest income                                  | 261              | —                |
| Gain on disposal of held for trading investments | 105              | —                |
| Sundry income                                    | 843              | 2,011            |
|  | <u>7,568</u>     | <u>2,011</u>     |

## 6. FINANCE COSTS

|   | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>  |                  |                  |
| Interest on convertible bonds designated<br>at financial liabilities at FVTPL | 6,552            | —                |
| Interest on promissory notes  | 3,798            | 188              |
| Interest on other borrowings wholly repayable<br>within five years            | 173              | 7,931            |
|   | <u>10,523</u>    | <u>8,119</u>     |

## 7. INCOME TAX EXPENSE

### Continuing operations

|   | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---|------------------|------------------|
| (Over) under provision of current tax in prior years: |                  |                  |
| Hong Kong Profits Tax                                 | 126              | —                |
| PRC Enterprise Income Tax                             | (127)            | —                |
|   | <u>(1)</u>       | <u>—</u>         |
| Deferred tax:   |                  |                  |
| Current year  | 1,695            | —                |
|   | <u>1,694</u>     | <u>—</u>         |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 and 2008 as the Group did not generate any assessable profits in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for Enterprise Income Tax has been made as the PRC subsidiary has no assessable profits arising from their jurisdictions for the two years ended 31 December 2009 and 2008.

## 8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

|  | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Continuing operations</b>                               |                         |                         |
| Auditors' remuneration                                     | 620                     | 653                     |
| Staff costs:   |                         |                         |
| Directors' remuneration                                    | 355                     | 814                     |
| Wages, salaries and other benefits                         | 9,621                   | 300                     |
| Retirement benefit costs (excluding directors)             | <u>326</u>              | <u>—</u>                |
| Total staff costs  | 10,302                  | 1,114                   |
| Convertible bonds issue expenses                           | —                       | 3,125                   |
| Cost of inventories recognised as an expense               | 77,525                  | —                       |
| Fair value change of held for trading investments          | 1,772                   | —                       |
| Amortisation of prepaid lease payments                     | 473                     | —                       |
| Depreciation of property, plant and equipment              | 2,943                   | —                       |
| Impairment loss recognised in respect of other receivables | —                       | 390                     |
| Operating lease rental on rented premises                  | 536                     | 208                     |
| Net foreign exchange losses                                | <u><u>525</u></u>       | <u><u>—</u></u>         |

## 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 passed to the acquirer.

The (profit) loss for the year from the discontinued operation is analysed as follows:

|   | <b>2009</b><br><b>HK\$’000</b> | 2008<br><b>HK\$’000</b> |
|---|--------------------------------|-------------------------|
| Loss of financial services operation for the year                   | <b>2</b>                       | 39,537                  |
| Gain on disposal of financial services operation ( <i>note 16</i> ) | <b>(18)</b>                    | –                       |
|   | <b>(16)</b>                    | 39,537                  |

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

|   | <b>Period ended</b><br><b>30 November</b><br><b>2009</b><br><b>HK\$’000</b> | Year ended<br>31 December<br>2008<br><b>HK\$’000</b> |
|---|---|--|
| Turnover  | –   | –  |
| Impairment loss recognised in respect of loan receivables | –   | (39,510)   |
| Administrative expenses                                   | <b>(2)</b>  | <b>(27)</b>  |
| Loss before tax   | <b>(2)</b>  | (39,537)   |
| Income tax expense  | –   | –  |
| Loss for the period/year                                  | <b>(2)</b>  | (39,537)   |

No charge or credit arose on gain on discontinuance of the operations.

During the year, no cash flows has been generated in Pacpo Investments (2008: nil).

The carrying amounts of the assets and liabilities of Pacpo Investments at the date of disposal are disclosed in note 16.

## 10. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

## 11. LOSS PER SHARE

### From continuing and discontinued operations

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

|  | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|--|------------------|------------------|
| <b>Loss</b>                                  |                  |                  |
| Loss for the purpose of basic loss per share | <u>(12,418)</u>  | <u>(43,227)</u>  |

### Number of Shares

|  | 2009<br>'000   | 2008<br>'000<br>(Restated) |
|--|----------------|----------------------------|
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>285,324</u> | <u>128,847</u>             |

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2009 and 2008 have been adjusted for the consolidation of shares on 10 December 2009.

### 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:

|   | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---|------------------|------------------|
| Loss for the year attributable to owners of the Company                     | (12,418)         | (43,227)         |
| Less:   |                  |                  |
| (Profit) loss for the year from discontinued operation                      | <u>(16)</u>      | <u>39,537</u>    |
| Losses for the purpose of basic losses per share from continuing operations | <u>(12,434)</u>  | <u>(3,690)</u>   |

## From discontinued operation

Basic earnings per share for the discontinued operation is HK0.01 cents per share (2008 as restated: loss per share of HK30.69 cents) based on the profit for the year from the discontinued operation of approximately HK\$16,000 (2008: loss of approximately HK\$39,537,000) and the denominators detailed above for basic and diluted earnings (loss) per share.

Diluted earnings (loss) per share for both years ended 31 December 2009 and 2008 are same as basic earnings (loss) per shares as the effect of the conversion of the Company's convertible bonds were anti-dilutive.

## 12. INVENTORIES

|                  | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|------------------|------------------|------------------|
| Raw Materials    | 11,126           | 15,602           |
| Work in Progress | 1,383            | 1,930            |
| Finished goods   | 492              | 300              |
|                  | <u>13,001</u>    | <u>17,832</u>    |

## 13. TRADE AND BILLS RECEIVABLES

|                                    | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Trade receivables                  | 3,623            | 9,946            |
| Bill receivables                   | –                | 4,683            |
|                                    | <u>3,623</u>     | <u>14,629</u>    |
| Less: allowance for doubtful debts | –                | –                |
|                                    | <u>3,623</u>     | <u>14,629</u>    |

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 and bills receivables net of allowance for doubtful debts presented on the invoice date at the reporting date.



|              | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1-30 Days    | 182                     | 4,131                   |
| 31-90 Days   | 1,342                   | 2,580                   |
| 91-180 Days  | 2,041                   | 7,875                   |
| 181-360 Days | –                       | 8                       |
| 1-2 years    | 29                      | 30                      |
| Over 2 years | 29                      | 5                       |
|              | <u>3,623</u>            | <u>14,629</u>           |

#### 14. TRADE AND OTHER PAYABLES

|                                    | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Trade payables                     | 3,315                   | 16,261                  |
| Other payables and accrued charges | 7,435                   | 13,670                  |
| Amount due to a shareholder        | –                       | 3,029                   |
| Amounts due to related companies   | –                       | 5,757                   |
|                                    | <u>10,750</u>           | <u>38,717</u>           |

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

|              | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1-30 Days    | 120                     | 2,388                   |
| 31-90 Days   | 2,363                   | 434                     |
| 91-180 Days  | 822                     | 9,075                   |
| 181-360 Days | –                       | –                       |
| Over 1 year  | 10                      | 4,364                   |
|              | <u>3,315</u>            | <u>16,261</u>           |

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.

## **15. 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 as 1st defendant, the Company’s 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, 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, 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 2009, with the advices by the Company’s legal adviser, the directors are of the opinion that the Group has proper and valid defences to the CYW’s action and accordingly, no provision for loss has been accounted for in these financial statements.

## **16. 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          |
| Net liabilities disposed of:          |                       |                      |                |                      |                        |                   |
| Interests in an associates            | –                     | –                    | –              | –                    | –                      | –                 |
| Other receivables                     | –                     | 8                    | 3              | 15                   | 26                     | 1                 |
| Loan and interest receivables         | –                     | –                    | –              | –                    | –                      | –                 |
| Consideration receivables             | –                     | –                    | –              | –                    | –                      | –                 |
| Pledged 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                       | (3)                   | (70,382)             | (166,468)      | (180,445)            | (417,298)              | (189,770)         |
| Minority interests                    | –                     | (11)                 | –              | –                    | (11)                   | –                 |
| Net liabilities disposed              | (3)                   | (70,393)             | (166,468)      | (180,445)            | (417,309)              | (189,770)         |
| 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                |
| Total cash consideration              | <u>–</u>              | <u>–</u>             | <u>–</u>       | <u>–</u>             | <u>–</u>               | <u>–</u>          |
| Net cash outflow arising on disposal: |                       |                      |                |                      |                        |                   |
| Cash consideration                    | –                     | –                    | –              | –                    | –                      | –                 |
| Bank balances and cash disposed of    | –                     | –                    | (3)            | (9)                  | (12)                   | –                 |
|                                       | <u>–</u>              | <u>–</u>             | <u>(3)</u>     | <u>(9)</u>           | <u>(12)</u>            | <u>–</u>          |

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

## **17. EVENTS AFTER THE REPORTING PERIOD**

### **(a) Share placing**

As set out in the Company's announcement dated 20 January 2010, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 60,400,000 shares of the Company at HK\$0.40 each to not fewer than six placees. On 2 February 2010, 60,400,000 shares of HK\$0.20 each have been allotted and issued to the independent third parties at HK\$0.40 per share.

### **(b) Grant of share options**

As set out in the Company's announcement dated 22 February 2010, the Company has granted 30,210,000 share options to certain consultants of the Group under the Share Option Scheme with an exercise price of HK\$0.478 each. Each option entitles the holders to subscribe for one ordinary share of HK\$0.20 each of the Company.

## **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 and development and manufacture and sales of life-like plants.

For the year ended 31 December 2009, both properties investment and development and manufacture and sales of life-like plants business, which were acquired at the end of 2008, generated stable turnover to the Group. The turnover of the Group for the year ended 31 December 2009 amounted to approximately HK\$89,953,000. Loss attributable to shareholders has been narrowed down to approximately HK\$12,418,000 from approximately HK\$43,228,000 recorded in last year. The substantial decrease of loss for the year was mainly explained by the gain generated from the disposal of subsidiaries in continuing and discontinued operations during the year of approximately HK\$24,451,000.

### **Properties Investment and Development**

The Group's properties investment and development business in Hong Kong had contributed approximately HK\$1,685,000 to the total revenue of the Group for the year. Given the recovery of the Hong Kong properties market from the financial crisis, it is expected that revenue from the property business would have a healthy growth in the coming future.

### **Life-like plants business**

The life-like plants business had contributed approximately HK\$88,268,000 to the total revenue of the Group for the year ended 31 December 2009. With continued improvement in quality and enhancement in product innovation, the revenue base is considered to be stable. Enhancement in product differentiation and maintaining competitiveness in industry are on-going goals of the Group.

## **Prospects**

Despite of the competitiveness in both business segments, 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 with net proceeds of approximately HK\$79,315,000 which significantly strengthen its working capital and financial position. The Group is committed to explore new investment and business opportunities to provide tremendous value-added to Shareholders.

## **Capital Structure**

During the year ended 31 December 2009, the share capital of the Company had the following changes:

On 5 January, 8 June and 21 August 2009, aggregate of 3,316,000,000 ordinary shares of HK\$0.10 each in the capital of the Company were issued upon the conversion of the convertible bonds.

On 29 June 2009, 817,000,000 ordinary shares of HK\$0.10 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK\$0.10 per placing share.

On 6 November 2009, the authorised share capital of the Company was reduced from HK\$4,000,000,000 divided into 40,000,000,000 shares of HK\$0.10 each to HK\$400,000,000 divided into 40,000,000,000 shares of HK\$0.01 each by canceling capital paid up or credited as paid up to the extent of HK\$0.09 upon each of the shares of the Company in issue and by reducing the nominal value of all the issued and unissued shares of the Company from HK\$0.10 to HK\$0.01 per share.

On 23 November 2009, 1,044,000 ordinary shares of HK\$0.01 each in the capital of the Company were issued upon the conversion of the convertible bonds.

On 10 December 2009, every 20 issued and unissued ordinary shares of HK\$0.01 each were consolidated into 1 ordinary share of HK\$0.20 each.

Subsequent to 31 December 2009, the following activities had been conducted:

On 2 February 2010, 60,400,000 ordinary shares of HK\$0.20 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK\$0.40 per placing shares.

On 22 February 2010, 30,210,000 share options were granted to certain consultants of the Group under the share option scheme adopted on 22 July 2009 with an exercise price of HK\$0.478 each. Each option entitles the holders to subscribe for one ordinary share of HK\$0.20 each of the Company.

## **Investment Position and Planning**

During the year ended 31 December 2009, the Group spent approximately HK\$4,771,000 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 2009, the Group held shares with fair value of approximately HK\$4,063,000.

During the year ended 31 December 2009, the Group disposed of the entire equity interests in Kong Sun (China) Investment Limited and its subsidiaries, Pacpo Hong Kong Company Limited and its subsidiaries, Pacpo Investments Limited, Bestwick Limited and Healthy Profit Enterprises Limited and its subsidiaries (all disposed subsidiaries collectively referred to as the “Disposed Subsidiaries”) and assigned all the debts due from the Disposed Subsidiaries to Mr. Kong Li Szu, an ex-director of the Company at approximately HK\$36. The disposals are de minimis transactions that exempted from announcement and shareholders’ approval under Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”).

Save 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 2009.

## **Charge on the Group’s Assets and Contingent Liabilities**

As at 31 December 2009, the Group’s bank deposits in the amount of HK\$1,341,000 had been pledged to the customs authorities of the People’s Republic of China (the “PRC”).

As at 31 December 2009, the Group had no significant contingent liabilities.

## **Employees and Remuneration Policy**

At 31 December 2009, the Group has approximately 130 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

## **Liquidity and Financial Resources**

As at 31 December 2009, the total shareholders fund of the Group amounted to approximately HK\$194,064,000, (2008: HK\$30,158,000), total assets of approximately HK\$252,439,000 (2008: HK\$214,485,000), current liabilities of approximately HK\$10,750,000 (2008: HK\$143,875,000) and non-current liabilities of approximately HK\$47,625,000 (2008: HK\$40,452,000).

The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group was dropped significantly from the ratio of 6.1 as at 31 December 2008 to the ratio of 0.3 as at 31 December 2009.

The Group's business operation and investment are in Hong Kong and the PRC and most assets, liabilities and transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("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 risks.

## **FINAL DIVIDEND**

The Board does not recommend to declare a dividend for the year ended 31 December 2009 at the forthcoming annual general meeting (2008 : Nil).

## **SHARE OPTION SCHEME**

The Company adopted a new share option scheme on 22 July 2009, 32,100,000 options under the new share option scheme have been granted after the financial position date, on 22 February 2010.

## **AUDIT COMMITTEE**

The audit committee has three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 December 2009.

## **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 to the Listing Rules (the "CG Code") 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 Company. 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 2009.

## **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, 26 April 2010

*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.*