
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kong Sun Holdings Limited, you should at once hand this Prospectus and the accompanying Application Form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of the Prospectus Documents, having attached thereto the documents specified in paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required under Section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong takes no responsibility for the contents of any of these documents.

Dealings in the Shares may be settled through CCASS and you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

OPEN OFFER OF 239,654,173 OFFER SHARES AT HK\$0.25 PER OFFER SHARE ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD

Underwriter to the Open Offer



KINGSTON SECURITIES LTD

Terms used in this cover page have the same meanings as defined in this Prospectus.

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Thursday, 21 October 2010. The procedures for acceptance and payment of the Offer Shares are set out on pages 15 to 16 of this Prospectus.

The Underwriting Agreement contains provisions which entitle the Underwriter by notice in writing, to terminate the Underwriting Agreement prior to the Latest Time for Termination on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" from pages i to ii and from pages 11 to 12 of this Prospectus. **If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Tuesday, 28 September 2010 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 25 October 2010), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

7 October 2010

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to such time:

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:**
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or**
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (c) any material adverse change in the existing business or in the financial or trading position or prospects of the Group as a whole; or**
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or**
 - (f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or**
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or**

TERMINATION OF THE UNDERWRITING AGREEMENT

- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Open Offer and is likely to affect materially and adversely the success of the Open Offer.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and the Open Offer will not proceed and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 2.5% underwriting fee described in the Prospectus shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement.

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DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 8 September 2010 in relation to the Open Offer
“Application Form(s)”	the application form(s) to be used by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Convertible Bonds”	the convertible bonds due 2011 in an aggregate outstanding principal amount of HK\$40,000,000 as at the Latest Practicable Date hereof issued by the Company, details and principal terms of which are set out in the circular of the Company dated 31 December 2007
“Director(s)”	the director(s) of the Company
“Excluded Shareholders”	the Overseas Shareholders whom the Board, after making enquiries, considers it necessary or expedient not to offer the Offer Shares to on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	8 September 2010, being the last trading day on which the Shares were traded on the Stock Exchange immediately preceding the publication of the Announcement

DEFINITIONS

“Latest Acceptance Time”	4:00 p.m. on Thursday, 21 October 2010 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Offer Shares
“Latest Practicable Date”	30 September 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	239,654,173 new Shares to be issued by the Company pursuant to the Open Offer
“Open Offer”	the issue of Offer Shares by the Company on the basis of one Offer Share for every two existing Shares to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions of the issue
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Prospectus”	this prospectus
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholders”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Wednesday, 6 October 2010 or such other date as may be agreed between the Company and the Underwriter
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) with par value of HK\$0.20 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Share Option(s)”	the option(s) to subscribe for Share(s) under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 22 July 2009
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.25 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 8 September 2010 entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	all the Offer Shares, being 239,654,173 Offer Shares
“USA”	the United States of America
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below for indicative purpose only and may be extended or changed. Any changes to the expected timetable for the Open Offer will be announced as and when appropriate. All times and dates stated in this Prospectus are Hong Kong times.

2010

Book closure period (both days inclusive)	Thursday, 30 September to Wednesday, 6 October
Record Date	Wednesday, 6 October
Register of members re-opens	Thursday, 7 October
Despatch of Prospectus Documents	Thursday, 7 October
Latest time for acceptance of and payment for the Open Offer	4:00 p.m. on Thursday, 21 October
Open Offer becomes unconditional	4:00 p.m. on Monday, 25 October
Announcement on results of the Open Offer	Tuesday, 26 October
Despatch of share certificates for Offer Shares	Wednesday, 27 October
Dealings in Offer Shares expected to commence	Friday, 29 October

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

- A tropical cyclone warning signal number 8 or above, or
- A “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon as on Thursday, 21 October 2010. Instead the latest time for acceptance of and payment for Offer Shares will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 21 October 2010. Instead the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Acceptance Time does not take place on Thursday, 21 October 2010, the dates mentioned in this section headed “Expected Timetable” may be affected. An announcement will be published by the Company in such event as soon as practicable.



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

Executive Directors:

Mr. Tse On Kin

Mr. Yu Pak Yan, Peter

Independent non-executive Directors:

Mr. Man Kwok Leung

Mr. Lau Man Tak

Dr. Wong Yun Kuen

*Registered office and principal place
of business in Hong Kong:*

Unit C, 10th Floor

Wings Building

110–116 Queen's Road Central

Central, Hong Kong

7 October 2010

*To the Qualifying Shareholders and for information only,
the Excluded Shareholders*

Dear Sir or Madam,

**OPEN OFFER OF 239,654,173 OFFER SHARES
AT HK\$0.25 PER OFFER SHARE ON THE BASIS OF
ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

On 8 September 2010, the Company announced that the Board proposes to raise not less than approximately HK\$59.91 million and not more than approximately HK\$66.19 million before expenses by issuing not less than 239,654,173 Offer Shares and not more than 264,759,173 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date.

The purpose of this Prospectus is to provide further information regarding the Open Offer, including information on dealings in and applications for the Offer Shares, and certain financial and other information of the Group.

LETTER FROM THE BOARD

OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every two existing Shares held on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date	:	479,308,346 Shares
Number of Offer Shares	:	239,654,173 Offer Shares
Subscription price	:	HK\$0.25 per Offer Share
Enlarged issued share capital immediately upon completion of the Open Offer	:	718,962,519 Shares
Aggregate nominal value of the total Offer Shares	:	HK\$47,930,834.60

As at the Latest Practicable Date, outstanding Convertible Bonds and Share Options entitling the holders thereof to subscribe for an aggregate of 20,000,000 and 30,210,000 new Shares respectively.

Save as the above-mentioned Convertible Bonds and Share Options, the Company had no outstanding derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares as at the Latest Practicable Date.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior consent of the Underwriter, issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Offer Shares) which right is exercisable on or prior to the Record Date from the date of the Underwriting Agreement until after the Latest Acceptance Time, being at 4:00 p.m. on Thursday, 21 October 2010.

The Offer Shares proposed to be issued pursuant to the terms of the Open Offer represent 50% of the Company's existing issued share capital as at the Latest Practicable Date and approximately 33.33% of the enlarged issued share capital of the Company immediately following the completion of the Open Offer.

LETTER FROM THE BOARD

The Offer Shares

The Subscription Price for the Offer Shares is HK\$0.25 per Offer Share payable in cash in full upon application by a Qualifying Shareholder. The Subscription Price of HK\$0.25 per Offer Share represents:

- a discount of approximately 46.81% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 44.69% to the average closing price of approximately HK\$0.452 per Share for the five consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 43.50% to the average closing price of approximately HK\$0.443 per Share for the 10 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 36.97% to the theoretical ex-entitlement price of approximately HK\$0.397 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and
- a discount of approximately 28.57% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group. In order to enhance the attractiveness of the Open Offer, issuance of new shares by way of open offer at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. Given the relatively long underwriting period of an open offer and taking into account the aforesaid and the theoretical ex-entitlement price per Share, the Directors consider that, in order to enhance the attractiveness of the Open Offer, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Offer Shares. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

Fractions of the Offer Shares

No fractional entitlements to the Offer Shares will be allotted to individual shareholders. All such fractional entitlements will be aggregated and taken up by the Underwriter.

No application for excess Offer Shares

There is no arrangement for application of Offer Shares by Qualifying Shareholders in excess of their entitlements. Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Open Offer, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter. No odd lot matching services will be provided by the Company in respect of the Open Offer.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted to Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Offer Shares by Wednesday, 27 October 2010 at their own risk.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, but not the Application Form, to the Excluded Shareholders for information only. The Open Offer is only available to the Qualifying Shareholders.

Rights of the Excluded Shareholders

As the Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong, if there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Open Offer.

The Directors will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules with the legal advisers of the Company as to the feasibility of extending the Open Offer to the Overseas Shareholders taking into consideration of the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Offer Shares to the Overseas Shareholders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the

LETTER FROM THE BOARD

Open Offer will not be extended to the Overseas Shareholders who will become the Excluded Shareholders. The Offer Shares to which the Excluded Shareholders would otherwise be entitled under the Open Offer will be taken up by the Underwriter. The Company will only send the Prospectus, but not the Application Form, to the Excluded Shareholders for their information.

Based on the register of members of the Company as at the Record Date, there were two Shareholders with registered addresses in Singapore, one Shareholder with registered address in Macau and two Shareholders with registered addresses in the USA. Pursuant to the Listing Rules, the Board has made enquiries as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Offer Shares to such Overseas Shareholders.

The Directors, after making enquiries pursuant to the Listing Rules, are of the view that (i) the Open Offer will be extended to the Overseas Shareholders with registered addresses in Singapore and Macau as no local legal or regulatory compliance is required to be made in these jurisdictions; and (ii) it would be necessary or expedient to exclude the Overseas Shareholders with registered addresses in the USA from the Open Offer due to the time and costs involved in complying with the relevant local legal or regulatory requirements. As such, the Overseas Shareholders with registered addresses in the USA are Excluded Shareholders. The Company has therefore arranged for this Prospectus, and not the Application Forms to be sent to the Excluded Shareholders for information only.

APPLICATION FOR LISTING

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to continue to be traded in existing board lot of 5,000 Shares.

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the grant of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENT

Underwriting Agreement dated 8 September 2010

Issuer	:	the Company
Underwriter	:	Kingston Securities Limited
Number of Underwritten Shares	:	not less than 239,654,173 Offer Shares and not more than 264,759,173 Offer Shares, being the total number of Offer Shares under the Open Offer
Commission	:	2.5% of the aggregate Subscription Price of the maximum number of the Underwritten Shares

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the Offer Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten. The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

As at the Latest Practicable Date, the Underwriter holds 1 Share. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Conditions of the Open Offer

The Open Offer is conditional upon the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, all the Offer Shares (in their fully-paid form);
- (2) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders; and
- (4) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement.

None of the Company and the Underwriter may waive conditions (1), (2) and (3) set out above. The Underwriter may waive condition (4) set out above in whole or in part by written notice to the Company. If any of the conditions of the Open Offer are not fulfilled on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate

LETTER FROM THE BOARD

(save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach and the Open Offer will not proceed.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:**
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or**
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (c) any material adverse change in the existing business or in the financial or trading position or prospects of the Group as a whole; or**
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or**

LETTER FROM THE BOARD

- (f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Open Offer and is likely to affect materially and adversely the success of the Open Offer.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and the Open Offer will not proceed and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 2.5% underwriting fee described in the Prospectus shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Shares have been dealt in on an ex-entitlement basis commencing from Tuesday, 28 September 2010 based on the expected timetable.

The Open Offer is conditional upon, inter alia, the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Open Offer" under the section headed "Underwriting Arrangement" in this Prospectus. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Underwriting Arrangement" in this Prospectus above). The Open Offer may or may not proceed.

LETTER FROM THE BOARD

Any dealing in the Shares up to the date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below are tables showing the changes in shareholding structure of the Company arising from the Open Offer:

Shareholders	At the Latest Practicable Date		Immediately after the completion of the Open Offer (assuming no Qualifying Shareholders shall take up his/her/its entitlements under the Open Offer) (Note 1)		Immediately after the completion of the Open Offer (assuming all Qualifying Shareholders shall take up his/her/its entitlements under the Open Offer)	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Public Underwriter	1	0.00	239,654,174	33.33	1	0.00
Other public Shareholders	<u>479,308,345</u>	<u>100.00</u>	<u>479,308,345</u>	<u>66.67</u>	<u>718,962,518</u>	<u>100.00</u>
Total	<u><u>479,308,346</u></u>	<u><u>100.00</u></u>	<u><u>718,962,519</u></u>	<u><u>100.00</u></u>	<u><u>718,962,519</u></u>	<u><u>100.00</u></u>

Note:

- 1 This scenario is for illustration purpose only and will never occur. In the event of the Underwriter being called upon to subscribe for or procure subscribers of any of the Underwritten Shares:
- (1) the Underwriter shall not subscribe, for its own account, for such number of the Offer Shares which have not taken up by the Qualifying Shareholders which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer; and
 - (2) the Underwriter shall ensure that none of the subscribers of the Underwritten Shares will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of such subscription.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS

The gross proceeds from the Open Offer are approximately HK\$59.91 million. The net proceeds from the Open Offer after deducting for expenses are estimated to be approximately HK\$57.38 million. The Company intends to utilize the net proceeds from the Open Offer as funds for future investment of the Group should suitable opportunity arises and, if such investment opportunity is not being identified, be applied as general working capital of the Group. There is no specific investment plans or targets being identified by the Company as at the Latest Practicable Date. The Open Offer will enlarge the capital base of the Company and the Directors consider that it will facilitate the long-term development of the Company. Taking into account the fact that the net proceeds from the Open Offer would improve the Group's gearing position and enhance the Company's capital base, the Directors are of the view that the Open Offer is in the interests of the Group and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

Apart from the fund raising activities mentioned below, the Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

Date of initial announcement	Fund raising activity	Net proceeds raised (<i>approximately</i>)	Intended use of net proceeds as announced	Actual use of net proceeds
20 January 2010	Placing of new Shares	HK\$23.39 million	For general working capital of the Group	Retained as general working capital of the Group

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the 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 amounted to approximately HK\$12,418,000.

For the six months ended 30 June 2010, the turnover of the Group amounted to approximately HK\$11,937,000. Loss attributable to Shareholders amounted to approximately HK\$17,764,000.

LETTER FROM THE BOARD

Properties investment and development

For the year ended 31 December 2009, the Group's properties investment and development business in Hong Kong had contributed approximately HK\$1,685,000 (for the six months ended 30 June 2010: approximately HK\$740,000) to the total revenue of the Group. Given the recovery of the Hong Kong properties market from the financial crisis, the properties market in Hong Kong has shown a sign of stabilization, investors have become more optimistic about the general economic outlook, thus, it is expected that revenue from the property business would have a healthy growth in the coming future.

Life-like plants business

For the year ended 31 December 2009, the life-like plants business had contributed approximately HK\$88,268,000 (for the six months ended 30 June 2010: approximately HK\$11,197,000) to the total revenue of the Group. 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

The Group is now concentrating on its properties investment in Hong Kong and the manufacture and sales of life-like plants business. The Group will continue to enhance its product differentiation and cost control initiatives in the life-like plants business so as to keep our competitiveness in the industry. Much effort will be made to optimize the value of its current businesses and seek for investment opportunities with greater potential value.

PROCEDURES FOR ACCEPTANCE AND PAYMENT OF THE OFFER SHARES

An Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to accept any number of Offer Shares allocated to them based on their shareholding as at the Record Date. If you are a Qualifying Shareholder and you wish to apply for any number of Offer Shares in your assured entitlement of Offer Shares to which you are entitled, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 21 October 2010. All remittance must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "**Kong Sun Holdings Limited — Open Offer Account**" and crossed "**Account Payee Only**" for the application.

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance(s), has been lodged with the Registrar by not later than 4:00 p.m. on Thursday, 21 October 2010, all rights and entitlements under the Application Form will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the (relevant part of) subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Application Form (or in the case of joint Shareholders, to the first named Shareholder) and crossed “Account Payee Only”, through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on or before Wednesday, 27 October 2010.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for Offer Shares less than your assured entitlement.

All cheque(s) or cashier’s order(s) will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque(s) or cashier’s order(s) is dishonoured on first presentation is liable to be rejected, and in that event all rights and entitlements under the Application Form will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any subscription monies for the Offer Shares received.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS

As at the Latest Practicable Date, the Company had 479,308,346 Shares in issue and had outstanding Convertible Bonds and Share Options entitling the holders thereof to subscribe for an aggregate of 20,000,000 and 30,210,000 new Shares respectively.

The Open Offer may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options and the Convertible Bonds. The Company will notify the holders of Share Options and the Convertible Bonds regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and the Convertible Bonds.

ADDITIONAL INFORMATION

Your attention is drawn to the Appendices to this Prospectus for additional information.

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

FINANCIAL SUMMARY**1. Three-year financial information**

Financial information of the Group for each of the three years ended 31 December 2007, 2008 and 2009 are disclosed in the annual reports of the Company for the years ended 31 December 2007 (pages 23 to 99), 2008 (pages 20 to 83) and 2009 (pages 21 to 105) respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.kongsun-holdings.com>).

2. Indebtedness of the Group

At the close of business on 31 August 2010, being the latest practicable date for ascertaining the indebtedness prior to the printing of this Prospectus, the Group had outstanding Convertible Bonds with the principal amount of approximately HK\$40 million. The carrying amount of the Convertible Bonds as at 31 August 2010 was approximately HK\$11.6 million.

As at 31 August 2010, the Group had total future minimum lease payments under non-cancelable operating leases in respect of leased premises amounted to approximately HK\$223,000.

Saved as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have outstanding, at the close of business on 31 August 2010, any loan capital issued and outstanding or agreed to be issued, bank borrowings and overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases or finance lease, commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 August 2010 and up to and including the Latest Practicable Date.

3. Working capital statement

Having made due and careful enquiries, the Directors are of the opinion that after taking into account the internal resources of the Group and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements for the next twelve months from the date of the Prospectus in the absence of unforeseen material circumstances.

4. Material adverse change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date on which the latest published audited consolidated financial statements of the Company were made up.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Open Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 as extracted from the published unaudited interim report of the Group for the six months ended 30 June 2010 and is adjusted for the effect of the Open Offer.

	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2010	Unaudited consolidated net tangible assets per share attributable to owners of the Company as at 30 June 2010	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after the completion of the Open Offer
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$</i>
Open Offer of 239,654,173 Offer Shares	202,806	57,379	260,185	0.42	0.36

Notes:

- The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 is based on the net assets of the Group extracted from the published unaudited interim report of the Group for the six months ended 30 June 2010.

2. The estimated net proceeds from the Open Offer are calculated based on 239,654,173 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share, after deduction of the estimated related expenses of approximately HK\$2,535,000.
3. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Shares is based on 479,308,346 Shares in issue as at 30 June 2010.
4. The unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after the completion of the Open Offer is calculated based on 718,962,519 Shares which comprise 479,308,346 issued shares of the Company as at 30 June 2010 before the Open Offer, and 239,654,173 Offer Shares expected to be issued on the completion of the Open Offer. It does not take into account any new Shares issued after 30 June 2010.

In calculating the unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company, we have not taken into account the potential effect of any conversion of Convertible Bonds nor exercise of Share Options subsequent to 30 June 2010. Assuming full conversion of Convertible Bonds and full exercise of Share Options took place on 30 June 2010, the unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company would be increased by HK\$0.01.

5. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 June 2010.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a report from SHINEWING (HK) CPA Limited, the reporting accountants of the Company as set out in this appendix and prepared for the sole purpose of inclusion in this Prospectus:



SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

7 October 2010

The Directors
Kong Sun Holdings Limited
Unit C, 10th Floor
Wings Building
110–116 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Kong Sun Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purpose only, to provide information about how the open offer of 239,654,173 new shares of the Company (the “Offer Shares”) on the basis of one Offer Share for every two shares might have affected the unaudited consolidated net tangible assets of the Group presented, for inclusion in Section 1 of Appendix II of the prospectus of the Company dated 7 October 2010 (the “Prospectus”). The basis of preparation for the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Section 1 of Appendix II to the Prospectus.

Respective responsibilities of Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for

any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chong Kwok Shing

Practising Certificate Number: P05139

Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer were and will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>400,000,000</u>
<i>Issued and fully paid or credited as fully paid or to be issued under the Open Offer:</i>	
479,308,346 Existing Shares as at the Latest Practicable Date	95,861,669.2
239,654,173 Offer Shares to be issued pursuant to the Open Offer	47,930,834.6
<u>718,962,519</u> Shares upon completion of the Open Offer	<u>143,792,503.8</u>

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were outstanding Convertible Bonds and Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 20,000,000 Shares and 30,210,000 Shares respectively.

The holders of the Share Options are entitled to exercise their options during the period from 22 February 2010 to 21 February 2013 to subscribe for 30,210,000 Shares at an exercise price of HK\$0.478 per Share.

Save for the outstanding Convertible Bonds and Share Options, the Company had no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares as at the Latest Practicable Date.

3. INTERESTS OF DIRECTORS

(a) Directors' interest in the Company

As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

(c) Directors' interests in contract or arrangement

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following Shareholders had interests, directly or indirectly, or short positions in the Shares and underlying Shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Position in the Shares and underlying Shares of the Company

Name of the Shareholder	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
So Chi Ming	Beneficial owner	44,591,782	9.30%
Integrated Asset Management (Asia) Limited	Beneficial owner	37,800,000	7.89%
Yam Tak Cheung	Interest of controlled corporation (<i>Note</i>)	37,800,000	7.89%

Name of the Shareholder	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
Ho Kam Hung	Beneficial owner	33,360,400	6.96%
Kong Fa Holding Limited	Beneficial owner	30,000,000	6.26%
Yau Yuk Tong	Beneficial owner	23,860,000	4.98%

Note: Yam Tak Cheung holds the entire beneficial interest in Integrated Asset Management (Asia) Limited and Yam Tak Cheung is accordingly deemed to be interested in 37,800,000 shares in the Company.

Positions in the Offer Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company (as enlarged by the issue of the Offer Shares)
The Underwriter	Beneficial owner	264,759,174	33.33%
Chu Yuet Wah (<i>Note</i>)	Interest of a controlled corporation	264,759,174	33.33%

Note: Of these 264,759,174 Shares, one Share is beneficially owned by the Underwriter. The remaining 264,759,173 Shares are the Offer Shares which the Underwriter has underwritten in respect of the Open Offer. The issued share capital of the Underwriter is wholly owned by Galaxy Sky Investments Limited, which is in turn wholly owned by Eagle Mission Limited, which is in turn owned as to 80% by Active Dynamic Limited, which is in turn wholly owned by Chu Yuet Wah. Chu Yuet Wah is therefore deemed to be interested in the 264,759,174 Shares held by the Underwriter under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any other person (other than the Directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year, without payment of compensation (other than statutory compensation) between any of the Directors with any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by the Company and/or member(s) of the Group within two years immediately preceding the date of this Prospectus which are or may be material:

- (a) the placing and subscription agreement dated 18 June 2009 entered into between the Company, Mr. So Chi Ming and Kingston Securities Limited in relation to a top-up placement of 817,000,000 Shares at a price of HK\$0.1 per placing share, details of which have already been disclosed in the announcement of the Company dated 18 June 2009;
- (b) the placing agreement dated 20 January 2010 entered into between the Company and Kingston Securities Limited in relation to placing of 60,400,000 placing share at a price of HK\$0.4 each, details of which have already been disclosed in the announcement of the Company dated 20 January 2010; and
- (c) the Underwriting Agreement.

7. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang (“CYW”), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited (“Xswim Holding”) which was a 54% owned subsidiary of the Company prior 30 November 2009, against Mr. Kong Li Szu (“Mr. Kong”), the Company’s ex-director, as 1st defendant 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 Latest Practicable Date, this action is still in progress and no hearing date has been fixed.

In the opinion of the Directors, in 2002, Xswim Holding, a prior 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. The Directors are of the opinion that the Group has proper and valid defences to the CYW's action.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered Office Unit C, 10th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Authorised representatives Tse On Kin
Unit C, 10th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Tsang Kwai Ping
Unit C, 10th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Company Secretary Tsang Kwai Ping

Legal advisers to the Company *As to Hong Kong law:*
D.S. Cheung & Co. Solicitors
Room 1910–1913, Hutchison House
10 Harcourt Road, Central, Hong Kong

Auditors	SHINEWING (HK) CPA Limited 43th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4–4A Des Voeux Road Central Hong Kong The Bank of China (HK) Limited 1 Garden Road Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong

9. PARTICULARS OF THE DIRECTORS**(a) Name and address**

Name	Address
<i>Executive Directors:</i>	
Tse On Kin	Unit C, 10th Floor, Wings Building 110–116 Queen’s Road Central Central Hong Kong
Yu Pak Yan, Peter	Unit C, 10th Floor, Wings Building 110–116 Queen’s Road Central Central Hong Kong
<i>Independent Non-executive Directors:</i>	
Man Kwok Leung	Unit C, 10th Floor, Wings Building 110–116 Queen’s Road Central Central Hong Kong
Lau Man Tak	Unit C, 10th Floor, Wings Building 110–116 Queen’s Road Central Central Hong Kong
Wong Yun Kuen	Unit C, 10th Floor, Wings Building 110–116 Queen’s Road Central Central Hong Kong

(b) Qualifications and positions held

Mr. Tse On Kin, aged 48, joined the Group on 20 April 2007 and is also the Chairman of the Board and the director of certain subsidiaries of the Company. Mr. Tse has over 20 years of management experience covering corporate planning, group restructuring, business development, project injection, merger and acquisition. Mr. Tse also has about 20 years experience in electronic manufacturing field. Mr. Tse has a Bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and executive director of China Grand Forestry Green Resources Group Limited (stock code: 910) and Climax International Company Limited (stock code: 439), a non-executive director of Asia Energy Logistics Group

Limited (stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). Mr. Tse was also the former chairman and executive director of New Times Energy Corporation Limited (stock code: 166) from May 2007 to April 2009, a non-executive director of Climax International Company Limited (stock code: 439) from September 2007 to July 2008 and New Times Energy Corporation Limited (stock code: 166) from May 2009 to November 2009.

Mr. Yu Pak Yan, Peter, aged 59, joined the Group on 1 August 2008 and is also the director of certain subsidiaries of the Company. Mr. Yu has over 29 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor degree in Management from Youngstown State University in Ohio, USA and a Master of Science degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently an independent non-executive director of Golden Resorts Group Limited (stock code: 1031) and M Dream Inworld Limited (stock code: 8100).

Mr. Man Kwok Leung, aged 64, joined the Group on 2 June 2009 and is the member of audit committee and remuneration committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. He is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Climax International Company Limited (stock code: 439) and Hua Yi Copper Holdings Limited (stock code: 559).

Mr. Lau Man Tak, aged 41, joined the Group on 1 September 2008 and is the chairman of audit committee and the member of remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Golden Resorts Group Limited (stock code: 1031) and Climax International Company Limited (stock code: 439). Mr. Lau was also a former executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.

Dr. Wong Yun Kuen, aged 53, joined the Group on 20 April 2007 and is the chairman of remuneration committee and member of audit committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was “Distinguished Visiting Scholar” at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768) and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Climax International Company Limited (stock code: 439), Golden Resorts Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559) and China Grand Forestry Green Resources Group Limited (stock code: 910). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010. Dr. Wong was also an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

10. EXPERT

SHINEWING (HK) CPA Limited, Certified Public Accountants, has given opinion or advice contained in this Prospectus.

As at the Latest Practicable Date, SHINEWING (HK) CPA Limited did not have any shareholding, directly or indirectly, in the Company or any of its members or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in the Company or any of its members, or any interest directly or indirectly, in any assets which have been acquired or disposed of, or leased to, or are proposed to be acquired or disposed of, or leased to, any member of the Company since 31 December 2009, being the date of the latest published audited accounts of the Company were made up.

SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent as to the issue of this Prospectus with the inclusion herein of its reports or reference to its name, in the form and context in which they appear.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus, together with a copy of the Application Form and the written consent referred to in paragraph 10 in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance.

12. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in or made on such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any of such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

13. EXPENSES

The expenses incurred with the Open Offer, including financial and legal advisory fees, underwriting commissions, printing and translation expenses are obtained to be approximately HK\$2.53 million.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit C, 10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong during normal business hours from the date of this Prospectus up to and including the Latest Time for Acceptance:

- (a) the Company's memorandum and articles of association of the Company;
- (b) the annual report of the Group for each of the two financial years ended 31 December 2008 and 2009;
- (c) the letter of consent referred to in paragraph 10 in this appendix;
- (d) the report issued by SHINEWING (HK) CPA Limited in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in appendix II to this Prospectus;
- (e) a copy of each of the material contracts referred to in paragraph 6 in this appendix; and
- (f) this Prospectus.

15. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Tsang Kwai Ping who is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.
- (b) The English text of this Prospectus shall prevail over the Chinese text.