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KONG SUN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

PLACING OF CONVERTIBLE BONDS

On 16 February 2007, 24 April 2007 and 19 September 2007, the Company entered into the Term Sheet, the CB Placing Agreement and the CB Supplemental Agreement with the Placing Agent in respect of the conditional issue of the Convertible Bonds in the principal amount of HK\$100 million. Subject to satisfaction of the conditions to the CB Placing Agreement, the Placing Agent will place the Convertible Bonds to not less than six places who, and each of their ultimate beneficial owners (where appropriate), are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company on a fully underwritten basis. The holders of the Convertible Bonds will be entitled to convert the Convertible Bonds into Conversion Shares at the Conversion Price and upon such conversion, will be entitled to receive three Bonus Shares.

The proposed issue of the Convertible Bonds is subject to Shareholders' approval. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares and the Bonus Shares. A circular containing, amongst other things, further details of the Convertible Bonds will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended with effect from 9:30 a.m. on 17 June 2004 at the request of the Company and will remain suspended until further notice.

(1) PLACING OF THE CONVERTIBLE BONDS

I. The Convertible Bonds

The Term Sheet

On 16 February 2007, the Company entered into the Term Sheet with the Placing Agent in respect of the conditional issue of the Convertible Bonds in the principal amount of HK\$100 million. Details of the Convertible Bonds would be subject to the execution by the parties of the definitive agreement.

The CB Placing Agreement

On 24 April 2007, the Company and the Placing Agent entered into the CB Placing Agreement whereby details of the terms and conditions of the proposed issue of the Convertible Bonds were finalised.

The holders of the Convertible Bonds will be entitled to convert the Convertible Bonds into Conversion Shares at the Conversion Price and upon such conversion, will be entitled to receive three Bonus Shares.

The Board noted that the Company is at the third stage of delisting procedure and with difficult financial position the Company is facing, the Company has, upon arm's length negotiation, agreed with the Placing Agent, that the entitlement of the holders of the Convertible Bonds will be entitled to three Bonus Shares for each Conversion Share upon conversion of the Convertible Bonds at the Conversion Price of HK0.10 per Conversion Share will attract potential placees to subscribe for the Convertible Bonds.

Given the fully underwritten basis, the Company can be assured of the amount of the proceeds that will be available to the Company when the Convertible Bonds are issued, and therefore can allocate with certainty its financial resources and will be able to generate HK\$100 million cash in which approximately HK\$52 million will be used to repay its outstanding indebtedness, HK\$20 million will be used to settle the promissory note issued as consideration for the Tree Acquisition, and the remaining as general working capital, which in turn will reduce bank interest expenses and further improve the overall financial position of the Group. In view of the above, the Board considers the terms of the CB Placing Agreement as amended by the CB Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The principal terms of the Convertible Bonds are set out in the section "II. Principal terms of the Convertible Bonds" below.

The Placing Agent will receive a placing commission of 2.5% of the principal amount of the Convertible Bonds.

The CB Supplemental Agreement

On 19 September 2007, the Company and the Placing Agent entered into the CB Supplemental Agreement extending the Long Stop Date from 30 September 2007 to 31 December 2007 and amending the term of the Instrument constituting the Convertible Bonds by the addition of a right to the Company to mandatorily demand conversion of the Convertible Bonds into Conversion Shares during the Conversion Period.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Placing Agent and its ultimate beneficial owners being Ms. Chu Yuet Wah and Ms. Ma Siu Fong is a third party independent of the Company and its connected persons as defined under the Listing Rules. Ms. Chu Yuet Wah and Ms. Ma Siu Fong are the vendors of the Properties Acquisition, details of which were set out in the announcement of the Company dated 12 October 2007 and the ultimate beneficial owners of Kingston Finance Limited, a major creditor of the Company.

II. Principal terms of the Convertible Bonds

Issuer: the Company

Placing Agent: Kingston Securities Limited

Basis: Fully underwritten basis

Places: Not less than six places to be procured by the Placing Agent who, and each of their ultimate beneficial owners (where appropriate), are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company. The places and their ultimate beneficial owners (where appropriate) will also be third parties independent of (a) Brightpower and its ultimate beneficial owners and their respective associates; and (b) Ms. Chu Yuet Wah and Ms. Ma Siu Fong and their respective associates.

The Placing Agent will not place to any placee an amount of the Convertible Bonds which will entitle each holder of the Convertible Bonds and their respective associates to become a substantial shareholder (as defined under the Listing Rules) of the Company upon full conversion of their respective Convertible Bonds and the issue of the corresponding Bonus Shares.

The Placing Agent has given an undertaking to the Company that it will appoint sub-placing agents (where appropriate) to ensure sufficient amount of the Convertible Bonds will be placed to sufficient number of placees so that the Placing Agent will not have to underwrite such amount of the Convertible Bonds entitling it to convert into 30% or more of the equity interest in the Company upon full conversion, and the Placing Agent's equity interest in the Company will not be more than the Kong's family's interest in the Company, holding in aggregate 1,525,507,921 Shares as at the date of this announcement.

- Amount:** HK\$100 million
- Maturity Date:** Three years from the date of issue of the Convertible Bonds
- Conversion Period:** The Convertible Bonds can be converted, at the option of the holders of the Convertible Bonds, at any time and from time to time from the date of issue of the Convertible Bonds to and include the Maturity Date
- Coupon:** 8% per annum, payable semi-annually in arrears
- Security:** The Convertible Bonds will be unsecured
- Conversion Price:** HK\$0.10 per Conversion Share

The conversion price will be subject to adjustments for, amongst other things, consolidations or subdivisions of Shares, capital distributions, bonus issues, right issues and other usual events which may have a dilution effect on the Conversion Shares to be allotted and issued to the holders of the Convertible Bonds upon the exercise of the conversion right attached to under the Convertible Bonds.

- Conversion Shares:** 1,000,000,000 Conversion Shares will be issued pursuant to a specific mandate to be sought at the EGM to approve the Convertible Bonds and the transactions contemplated thereunder.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue at the date of allotment and issue of such Conversion Shares.

- Transferability:** With the prior notification to the Company, the Convertible Bonds (or any part thereof) may be transferred or assigned by the holders of the Convertible Bonds in whole or in multiples of HK\$1,000,000 to any party other than a connected person of the Company. Any proposed transfer to a connected person of the Company or its associates shall be subject to the prior consent of the Company, and where applicable, compliance by the holders of the Convertible Bonds with the relevant laws and regulations, including but not limited to the Listing Rules.

Bonus Shares:

Upon exercise of the conversion right attached to the Convertible Bonds for the Conversion Shares, the holders of the Convertible Bonds will be entitled to receive three Bonus Shares for every Conversion Share so converted.

3,000,000,000 Bonus Shares will be credited as fully paid by way of capitalization of an amount of not less than HK\$300 million in the share premium account of the Company earmarked for this purpose.

Assuming full conversion of the Convertible Bonds, 1,000 million Conversion Shares and 3,000 million Bonus Shares will be issued to the holders of the Convertible Bonds on the basis of three Bonus Shares for each Conversion Share. The aggregate 4,000 million Conversion Shares and Bonus Shares to be issued represent approximately 156% of the existing issued share capital of the Company and approximately 61% of the enlarged issued share capital of the Company.

The Bonus Shares will be issued pursuant to a specific mandate to be sought at the EGM to approve the Convertible Bonds and the transactions contemplated thereunder.

The Bonus Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue at the date of allotment and issue of such Bonus Shares.

Redemption:

The Company has the right to redeem at any time during the Conversion Period all or part of the outstanding Convertible Bonds in multiples of HK\$1,000,000 at its par value.

The Convertible Bonds may be redeemed by the holders of the Convertible Bonds after end of the 24th month from the date of issue of the Convertible Bonds to the Maturity Date or upon occurrence of an event of default and if so requested in writing by the holders of the Convertible Bonds. The following events will constitute an event of default:

- (i) non-payment of any amount due under any Convertible Bonds;
- (ii) appointment of receivership, declaration of insolvency or a bankruptcy petition against the Company;
- (iii) the Group as a whole ceases to carry on its ordinary course of business;

- (iv) adverse material change in the business nature of the Group as a whole;
- (v) material cross default by the Company or any of its subsidiaries;
- (vi) trading in the Shares on the Stock Exchange being suspended for a period of more than ten (10) consecutive trading days excluding any suspension for the purposes of clearing any announcement and circular in relation to any transactions conducted on the part of the Company under the Listing Rules; or
- (vii) material adverse change in the financial condition of the Company or any of its subsidiaries.

Mandatory

Conversion:

Pursuant to the CB Supplemental Agreement, parties have agreed that at any time during the Conversion Period, the Company has the right to mandatorily convert all the outstanding amount of the Convertible Bonds into Conversion Shares.

The initial conversion price of HK\$0.10 per Conversion Share represents:

- (i) a premium of 300% over the closing price of HK\$0.025 per Share as quoted on the Stock Exchange on 16 June 2004, being the last trading day before the date of this announcement; and
- (ii) a premium of approximately 297% over the average of the closing prices of approximately HK\$0.0252 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 16 June 2004, being the last trading day before the date of this announcement;
- (iii) a premium of approximately 248% over the audited consolidated net asset value of the Company per Share of approximately HK\$0.029 as at 31 December 2006; and
- (iv) the nominal price of the Share of HK\$0.10 each.

Since three Bonus Shares will be issued upon successful conversion of one Conversion Share, for illustration purpose, the average price of HK\$0.025 for each of the Conversion Share and the three Bonus Shares represents:

- (i) the same price of HK\$0.025 per Share as quoted on the Stock Exchange on 16 June 2004, being the last trading day before the date of this announcement; and

- (ii) a discount of approximately 0.79% to the average of the closing prices of approximately HK\$0.0252 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 16 June 2004, being the last trading day before the date of this announcement;
- (iii) a discount of approximately 12.94% to the audited consolidated net asset value of the Company per Share of HK\$0.029 as at 31 December 2006; and
- (iv) a discount of 75% to the nominal price of the Share of HK\$0.10 each.

The following table illustrates the shareholding structure of the Company upon full conversion of the Convertible Bonds.

Shareholders	Shares in issue as at the date of this announcement		Shares in issue upon full conversion of Convertible Bonds and issue of the Bonus Shares		Shares in issue upon full conversion of Convertible Bonds and issue of Bonus Shares and the conversion of the Tree Convertible Bonds	
	Shares	%	Shares	%	Shares	%
Kong Fa (<i>Note 1</i>)	1,053,850,042	41.15	1,053,850,042	16.06	1,053,850,042	15.14
KSE (<i>Note 2</i>)	403,375,794	15.75	403,375,794	6.15	403,375,794	5.79
Kong Look Sen (deceased) (<i>Note 3</i>)	22,760,695	0.89	22,760,695	0.35	22,760,695	0.33
Kong Li Jer (<i>Note 4</i>)	22,760,695	0.89	22,760,695	0.35	22,760,695	0.33
Kong Li Szu	22,760,695	0.89	22,760,695	0.35	22,760,695	0.33
<i>Subtotal for Kong's Family</i>	1,525,507,921	59.57	1,525,507,921	23.26	1,525,507,921	21.92
Brightpower	–	–	–	–	400,000,000	5.74
Public						
Existing public shareholders	1,035,659,000	40.43	1,035,659,000	15.78	1,035,659,000	14.88
Holders of Convertible Bonds (<i>Note 5</i>)	–	–	4,000,000,000	60.96	4,000,000,000	57.46
<i>Subtotal for public Shareholders</i>	1,035,659,000	40.43	5,035,659,000	76.74	5,035,659,000	72.34
Total	2,561,166,921	100	6,561,166,921	100	6,961,166,921	100

Notes:

1. Kong Fa Holding Limited, a company incorporated in BVI and is owned as to 51% by the estate of Mr. Kong Look Sen, 19% by Ms. Soo Lee Eng, spouse of the late Mr. Kong Look Sen, 10% by Mr. Kong Li Szu, 10% by Mr. Kong Li Jer, and 10% by Mr. Kong Soo Wei.
2. Kong Sun Enterprise Sdn. Bhd., a company incorporated in Malaysia and a substantial Shareholder.
3. Father of Mr. Kong who passed away on 6 July 2004.
4. Brother of Mr. Kong.
5. Not less than six places to be procured by the Placing Agent.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the Bonus Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

The Company undertakes to the Stock Exchange that it will notify the Stock Exchange upon becoming aware of any dealings in the Convertible Bonds by any connected persons of the Company.

III. Conditions precedent to the issue of the Convertible Bonds

The issue of the Convertible Bonds is conditional upon the following conditions being satisfied on or before the Long Stop Date:

- (a) the Stock Exchange approving the resumption of trading in the Shares of the Company;
- (b) the obtaining of the necessary shareholders' approval of the Company at the EGM in relation to the CB Placing Agreement, the CB Supplemental Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, the allotment and issue of up to 1,000,000,000 Conversion Shares; and the allotment and issue of up to 3,000,000,000 Bonus Shares;
- (c) 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 Conversion Shares and the Bonus Shares; and
- (d) the Shareholders passing at the EGM the necessary resolution approving the increase of the authorised shares capital of the Company from HK\$400,000,000 to HK\$4,000,000,000.

If the above conditions are not satisfied on the Long Stop Date, or such later time or date as may be agreed between the Placing Agent and the Company in writing, the Placing Agent may, at any time thereafter, terminate its obligations under the CB Placing Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the CB Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof.

IV. Use of proceeds

The net proceeds of approximately HK\$97 million from the issue of the Convertible Bonds will be used as to approximately HK\$52 million to repay all the Group's outstanding indebtedness (including the outstanding indebtedness owed by the Group to Kingston Finance Limited), HK\$20 million will be used to settle the promissory note issued as consideration for the Tree Acquisition, and the remaining balance as general working capital of the Group.

V. Listing Rules implication

The Board initially was on a mistaken belief that the publication of this announcement in respect of the issue of the Convertible Bonds would be due for publication upon successful review by the Stock Exchange of a viable resumption proposal submitted by the Company and therefore caused the delay in the publication of this announcement.

As at the date of this announcement, as the Company did not have a general mandate to issue and allot Shares, the issue of the Conversion Shares upon the conversion of the Convertible Bonds and the issue of the Bonus Shares will be made under a specific mandate to be obtained from the Shareholders at the EGM.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders have any material interest in the CB Placing Agreement and the CB Supplemental Agreement. Accordingly, no Shareholder is required to abstain from voting in EGM to be convened to approve the CB Placing Agreement, the CB Supplemental Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, the allotment and issue of up to 1,000,000,000 Conversion Shares; and the allotment and issue of up to 3,000,000,000 Bonus Shares.

The Directors, including the independent non-executive Directors, believe the terms of the CB Placing Agreement and the CB Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

A circular containing, inter alia, further information on the CB Placing Agreement and the CB Supplemental Agreement will be despatched to the Shareholders as soon as practicable.

In view of the extent of the dilution effect of the Convertible Bonds, the Company will disclose by way of an announcement all relevant details of the conversion of the Convertible Bonds in the following manner:

- (i) the Company will make a monthly announcement (the “**Monthly Announcement**”) on or before the tenth business day following the end of each calendar month and will include the following details in a table form:
 - a. whether there is any conversion of the Convertible Bonds during the previous calendar month. If there is a conversion, details thereof including the conversion date, number of the Conversion Shares issued and the Conversion Price for each conversion. If there is no conversion during the previous calendar month, a negative statement to that effect;
 - b. the amount of outstanding Convertible Bonds after the conversion, if any;
 - c. the total number of new Shares issued pursuant to other transactions during the previous calendar month, including the new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the previous calendar months;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of the Conversion Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be); and
- (iii) if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Listing Rule 13.09(1), then the Company will make such disclosures regardless of the issue of any announcements in relation to the Convertible Bonds as mentioned in (i) and (ii) above.

(2) SUSPENSION OF TRADING

The principal activities of the Group are investment holding, property investment and development.

Trading in the Shares was suspended with effect from 9:30 a.m. on 17 June 2004 at the request of the Company and will remain suspended until further notice.

(3) DEFINITIONS

“Board”	the board of Directors
“Bonus Shares”	the issue of three new Shares per Conversion Share to the holders of Convertible Bonds credited as fully paid upon their exercise of the conversion rights attached to the Convertible Bonds
“Brightpower”	Brightpower Assets Management Limited
“CB Placing Agreement”	the placing agreement dated 24 April 2007 and entered into between the Company and the Placing Agent for the proposed placing of the Convertible Bonds
“CB Supplemental Agreement”	the supplemental agreement date 19 September 2007 and entered into between the Company and the Placing Agent extending the Long Stop Date and amending a term of the Instrument constituting the Convertible Bonds
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares are listed on the Stock Exchange
“Conversion Shares”	new Shares falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the 8% convertible bonds in the principal amount of HK\$100 million due in three years from the date of issue to be issued by the Company pursuant to the CB Placing Agreement as amended by the CB Supplemental Agreement
“Directors”	the directors of the Company

“EGM”	an extraordinary general meeting of the Shareholders to be convened and held to pass the necessary resolutions in relation to the CB Placing Agreement, the CB Supplemental Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	30 September 2007 or such other date as the parties to the CB Placing Agreement may otherwise agree, such date has been extended to 31 December 2007 pursuant to the CB Supplemental Agreement
“Maturity Date”	three years from the date of issue of the Convertible Bonds
“Placing Agent”	Kingston Securities Limited (itself and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company)
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties Acquisition”	the conditional acquisition of certain properties in Hong Kong pursuant to a sale and purchase agreement dated 28 June 2007 and entered into between Lead Power Investments Limited, a wholly owned subsidiary of the Company and Ms. Chu Yuet Wah and Ms. Ma Siu Fong as vendors, details of which were set out in an announcement of the Company dated 12 October 2007
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term Sheet”	the binding term sheet dated 16 February 2007 entered into between the Company and Placing Agent in relation to the conditional issue of the Convertible Bonds

- “Tree Acquisition” the conditional acquisition of a manufacturing business pursuant to a sale and purchase agreement dated 19 May 2007 and entered into between Brightpower, Eternal Gain Investments Limited, a wholly owned subsidiary of the Company and the Company, details of which were set out in an announcement of the Company dated 12 October 2007
- “Tree Convertible Bonds” a 4% unsecured convertible bonds due three years from the date of issue for an aggregate principal amount of HK\$40 million to be issued by the Company to satisfy part of the consideration for the Tree Acquisition
- “HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By Order of the board of directors of
Kong Sun Holdings Limited
Tse On Kin
Chairman

Hong Kong, 26 October 2007

As at the date of this announcement, the Board of Directors of Kong Sun Holdings Limited comprise three Executive Directors, Mr. Tse On Kin, Mr. Chan Chi Yuen and, Mr. Kong Li Szu; and three Independent Non-executive Directors, Ms. Lo Miu Sheung, Betty, Mr. Chan Chiu Hung, Alex and Dr. Wong Yun Kuen.