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KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 295)

PROPOSED CAPITAL REDUCTION AND CHANGE IN BOARD LOT SIZE

SUMMARY

The Board proposes to put forward to the Shareholders a proposal to effect the Capital Reduction. The Capital Reduction is conditional upon, among other things, the approval by the Shareholders in the EGM and the confirmation of the Capital Reduction by the Court.

Upon the Capital Reduction becoming effective, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange be changed from 2,000 Shares to 20,000 New Shares.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reduction. A circular containing further details of (i) the Capital Reduction and (ii) the Change in Board Lot Size, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

I. CAPITAL REDUCTION

The Board proposes to put forward to the Shareholders a proposal to effect the Capital Reduction pursuant to the Companies Ordinance and the Articles of Association. As at the date of this announcement, the authorised share capital of the Company is HK\$4,000,000,000 divided into 40,000,000,000 Shares, of which 5,225,166,921 Shares have been issued and are fully paid.

The Board proposes to reduce the authorised share capital of the Company from HK\$4,000,000,000 divided into 40,000,000,000 Shares to HK\$400,000,000 divided into 40,000,000,000 New Shares by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Share in issue as at the date of this announcement and any further Shares which may be issued prior to the date on which the petition for the confirmation of the Capital Reduction is heard by the Court and by reducing the nominal value of all the issued and unissued Shares from HK\$0.10 to HK\$0.01 each.

Assuming that no new Shares will be issued after the date of this announcement and prior to the Capital Reduction becoming effective, a credit of approximately HK\$470,265,023 will arise as a result of the Capital Reduction. Subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the Accumulated Losses. After setting off the Accumulated Losses, all or part of the balance of the credit arising from the Capital Reduction will be transferred to the Capital Reduction Reserve Account(s) in such ways as the Court may direct. The amount standing to the credit of the Capital Reduction Reserve Account(s) will be dealt with and applied in accordance with such directions and subject to such conditions as the Court may impose (if any), and/or in such manners as the Board considers appropriate.

CONDITIONS OF THE CAPITAL REDUCTION

The implementation of the Capital Reduction is conditional upon, among other things:

- (i) the passing of a special resolution by the Shareholders approving the Capital Reduction at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the New Shares in issue upon the Capital Reduction becoming effective;
- (iii) the Court making an order confirming the Capital Reduction pursuant to sections 58 to 60 of the Companies Ordinance;
- (iv) the registration by the Registrar of Companies in Hong Kong of a copy of the order of the Court confirming the Capital Reduction and a copy of the minute containing the particulars required under section 61 of the Companies Ordinance duly approved by the Court; and
- (v) the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction.

Assuming that all the above conditions are fulfilled, the Capital Reduction will become effective on the registration of the court order and the minute as referred to in condition (iv) above.

The effective date of the Capital Reduction is not ascertainable at present as it will depend upon the timetable of the Court. At this stage, it is anticipated that the Capital Reduction would become effective around September/October 2009. An application will be made to the Court for the approval of the Capital Reduction as soon as practicable after the same is approved by the Shareholders by way of a special resolution at the EGM. Further announcement(s) (if any) will be made to inform the Shareholders of the progress of the matter as and when appropriate.

EFFECTS OF THE CAPITAL REDUCTION

Business

The business and management of the Company and the Group will not be changed as a result of the implementation of the Capital Reduction.

Financial position

Implementation of the Capital Reduction will not alter the business and the underlying assets/liabilities or financial position of the Company and the Group, other than the payment of professional expenses relating thereto.

Rights of the Shareholders

Implementation of the Capital Reduction will not affect the Shareholders' proportionate interests and voting rights in the Company. The New Shares will rank pari passu in all respects with each other.

Share Options and Convertible Bonds

The Company adopted the share option scheme of the Company on 30 June 2003 (the "**Scheme**"). As at the date of this announcement, there are no outstanding share options granted by the Company under the Scheme.

The Company has also issued the Tree Convertible Bonds and the Placing Convertible Bonds of an aggregate amount of HK\$165 million (the Tree Convertible Bonds and the Placing Convertible Bonds together are referred to as the "**Convertible Bonds**"). Implementation of the Capital Reduction will not have any effect on the conversion price or the number of New Shares fall to be issued upon exercise of the conversion rights attached to the Convertible Bonds or any other rights of the Company or the holder(s) of the Convertible Bonds under the Convertible Bonds.

Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Share Capital

The following table sets out the effect of the Capital Reduction on the share capital of the Company, that is, before and after the implementation of the Capital Reduction:

	Number of Shares	Share capital before the Capital Reduction HK\$	Amount of the share capital reduced as a result of the Capital Reduction HK\$	Share capital immediately after the Capital Reduction becoming effective (Note) HK\$
Par value		0.10	0.09	0.01
Authorised share capital	40,000,000,000	4,000,000,000	3,600,000,000	400,000,000
Issued and fully paid share capital	5,225,166,921	522,516,692	470,265,023	52,251,669

Note: The issued share capital immediately after the Capital Reduction becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and the date of the EGM.

REASONS FOR THE CAPITAL REDUCTION

To facilitate future fund raising exercise of the Company

Since 2003, the Shares have generally been traded below its par value of HK\$0.10 per Share. Under section 50 of the Companies Ordinance, the Company is not permitted to issue new Shares at a discount to the par value of the Shares, unless, among other things, the issue is authorised by a resolution of the Shareholders and is sanctioned by the Court. Moreover, section 58 of the Companies Ordinance further provides that a company, the net assets of which are less than its paid-up share capital, may not effect a capital reduction to re-designate the nominal value of its shares unless, among other things, the capital reduction is sanctioned by the Court. These statutory requirements, coupled with the fact that the Shares have generally been traded below its par value of HK\$0.10 per Share, create difficulty for the Company to raise and to issue new equity capital as and when needed unless the Company proceeds with and obtains the sanction of the Court for the Capital Reduction.

Although recently, the market price per Share has been quite volatile and raised to a price above the par value per Share, there is no guarantee that such a price could be maintained. The completion of the Capital Reduction will reduce the par value of the Shares to HK\$0.01 per New Share and will therefore provide the Company with greater flexibility in pricing the New Shares which may be issued in any future equity fund raising exercise.

In the circumstances, the Directors consider that the Capital Reduction is the most appropriate means of preparing the Company's capital structure for potential future fund raising exercises, although no specific fund raising arrangements by way of issuing of New Shares have been formulated by the Directors at this stage.

To eliminate the Accumulated Loss

As at 31 December 2008, being the date to which the last audited accounts of the Company were drawn up, the total amount of the unconsolidated accumulated losses of the Company, consisting of losses of both permanent and non-permanent in nature, was approximately HK\$596,411,000. The Capital Reduction will enable the Company to write off its Accumulated Losses. As a result of such writing-off of Accumulated Losses, the Company's capital and reserves will more closely reflect the available net assets of the Company and would give the Company a capital structure that should, subject to performance, permit the payment of dividends as and when the Directors consider it appropriate in the future. The Directors, therefore, consider that the Capital Reduction is in the interest of the Company and the Shareholders as a whole.

To facilitate the issue of bonus shares

After setting off the Accumulated Losses, the surplus of credit arising from the Capital Reduction will be transferred to the Capital Reduction Reserve Account(s) in such ways as the Court may direct. Subject to such conditions as the Court may impose, such surplus or a part thereof can be used to pay up the unissued shares of the Company that may be issued to the Shareholders as fully paid bonus shares including, but not limited to, the Bonus Shares that may be issued under the Placing Convertible Bonds. The Directors consider that the Capital Reduction will provide the Company with sufficient capital reserve to issue bonus shares to its Shareholders and this will give the Company greater flexibility to attract and obtain funding from existing and new shareholders/investors of the Company.

II. CHANGE IN BOARD LOT SIZE

The Shares are currently traded in board lots of 2,000 Shares. The Board proposes that upon the Capital Reduction becoming effective, the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 New Shares.

The Directors consider that the cost of handling the Shares is relatively high due to the low market value for each existing board lot of the Shares and the Directors believe that the proposed change in board lot size will reduce the number of board lots in the market and hence the transaction costs for the Shareholders and the administrative expenses of the Company will be correspondingly lower. Having taken into account the aforesaid reasons, the Directors are of the view that the proposed change in board lot size is in the interests of the Company and its Shareholders as a whole.

III. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reduction.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New 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 New 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.

IV. DEALINGS IN NEW SHARES AND THE FREE EXCHANGE OF SHARE CERTIFICATE

Arrangements will be made so that subject to the Capital Reduction becoming effective, the Shareholders may submit their existing certificates for the Shares to the Registrar in exchange for certificates for the New Shares free of charge during a certain period after the Capital Reduction has become effective. After the expiry of such period, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 per share certificate (or such higher amount as allowed by the Stock Exchange from time to time). Existing certificates for the Shares will cease to be good for delivery but will continue to be good evidence of legal title to the New Shares. Details of such exchange arrangements will be set out in the circular of the Company to be despatched to the Shareholders.

V. ODD LOT ARRANGEMENTS

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a licensed securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of such arrangements will be disclosed in the circular of the Company to be despatched to the Shareholders.

VI. GENERAL

A circular containing, among other things, further details of (i) the Capital Reduction and (ii) the Change in Board Lot Size, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

TERMS AND DEFINITIONS

“Accumulated Losses”	the permanent portion of the audited/unaudited and unconsolidated accumulated losses of the Company as approved by the Court
“Articles of Association”	the articles of association of the Company from time to time
“Board”	the board of Directors
“Bonus Shares”	the Shares fall to be issued upon exercise of the conversion rights by the holders of the Placing Convertible Bonds
“Capital Reduction”	the proposed reduction of the share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Shares in issue and by reducing the nominal value of all the unissued Shares from HK\$0.10 each to HK\$0.01 each
“Capital Reduction Reserve Account(s)”	the capital reduction reserve account(s) of the Company to be set up as the Court may approve upon the Capital Reduction becoming effective
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Change in Board Lot Size”	the proposed change in the board lot size of the Shares for trading on the Stock Exchange as set out under the section headed “Change in Board Lot Size” in this announcement
“Companies Ordinance”	the Companies Ordinance, Cap. 32 of the Laws of Hong Kong
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Court”	The Court of First Instance of the High Court of Hong Kong
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reduction
“Group”	the Company and its subsidiaries

“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reduction becoming effective
“Placing Convertible Bonds”	the unsecured convertible bonds with principal value of HK\$100,000,000 and HK\$25,000,000 respectively issued by the Company on 16 December 2008, details of which can be found in the circulars issued by the Company dated 31 December 2007 and 6 June 2008 respectively and the announcement issued by the Company dated 3 October 2008
“Registrar”	Computershare Hong Kong Investor Services Limited
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reduction
“Shareholder(s)”	holder(s) of the Share(s) or New Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tree Convertible Bonds”	the convertible bonds in principal amount of HK\$40,000,000 issued by the Company to Brightpower Assets Management Limited, details of which can be found in the circular issued by the Company dated 31 December 2007 and the announcement issued by the Company dated 3 October 2008
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

On behalf of the Board
Kong Sun Holdings Limited
Tse On Kin
Chairman

Hong Kong, 19 June 2009

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