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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)**

**PLACING OF NON-LISTED WARRANTS  
UNDER GENERAL MANDATE**

**Placing Agent**



**KINGSTON SECURITIES LTD.**

**SUMMARY**

The Directors are pleased to announce that on 29 November 2010 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as its sole placing agent to procure Placees, who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons, to subscribe for up to 95,860,000 Warrants, on a best effort basis, at the Placing Price of HK\$0.02 per Warrant. The Company will make further announcement in relation to the number of Warrants actually placed by the Placing Agent in due course.

As at the date of this announcement, the Company has a total of 718,962,519 Shares in issue. Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attached to the Warrants, an aggregate of 95,860,000 Warrant Shares will be issued, representing approximately 13.33% of the existing issued share capital of the Company and approximately 11.76% of the issued share capital as enlarged by the issue of the Warrant Shares.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Warrant Shares on the Stock Exchange. The Warrant Shares will be issued under the General Mandate.

Assuming all the Warrants are successfully placed out, the net proceeds from the Warrant Placing will be approximately HK\$1.77 million, which will be used as general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attached to the Warrants, up to a maximum amount of approximately HK\$26.84 million, will be applied as general working capital and as funds for future developments of the Group. Assuming the subscription rights attached to the Warrants are exercised in full, the total net proceeds, including the funds raised by the Warrant Placing, will be approximately HK\$28.61 million.

The Directors are pleased to announce that on 29 November 2010 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as its sole placing agent to procure Placeses who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons to subscribe for up to 95,860,000 Warrants, on a best effort basis, at the Placing Price of HK\$0.02 per Warrant. The Company will make further announcement in relation to the number of Warrants actually placed by the Placing Agent in due course.

## **THE WARRANT PLACING AGREEMENT**

Below is a summary of the principal terms of the Warrant Placing Agreement:

### **Date**

29 November 2010 (after trading hours).

### **Parties**

- (i) The Company; and
- (ii) The Placing Agent.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner(s) is not a connected person (as defined in the Listing Rules) of and is independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

As at the date of this announcement, the Placing Agent and its associates (as defined in the Listing Rules) are interested in one Share of the Company.

### **Placeses**

The Warrants will be placed with not less than six Placeses, which will be professional, institutional or other investors. The Placing Agent represents, warrants and undertakes to the Company that the Placeses and their ultimate beneficial owners will be third parties independent of, not connected with, and not being parties acting in concert with, the Company and any of the Directors, chief executive, controlling shareholders or substantial shareholders of the Company or any its subsidiaries or any of their respective associates (as defined in the Listing Rules).

## **Condition**

Completion of the Warrant Placing Agreement is subject to the fulfilment of the condition of the Listing Committee having granted (either unconditionally or subject only to conditions to which the Company and Placing Agent do not reasonably object) listing of and permission to deal in the Warrant Shares to be issued upon exercise of subscription rights attached to the Warrants and such permission and listing not subsequently being revoked or withdrawn prior to Completion.

In the event that the above condition is not fulfilled on or before 31 January 2011 (or such later date as the Company and the Placing Agent may agree), the Warrant Placing Agreement and all rights and obligations thereunder will cease and terminate and neither of the parties to the Warrant Placing Agreement will have any claim against the other in relation thereto save for antecedent breaches.

## **Placing fee**

The Placing Agent will receive a placing commission of 2.5% on the aggregate Placing Price in respect of such number of Warrants successfully placed by the Placing Agent pursuant to the Warrant Placing Agreement. The placing commission was determined by reference to the range of commissions of similar transactions in the market. The Directors (including the independent non-executive Directors) are of the view that the placing commission is in line with the market and is fair and reasonable.

## **Completion**

Completion shall take place no later than four Business Days following the fulfilment of the condition above or such other date as the Company and the Placing Agent may agree.

## **PRINCIPAL TERMS OF THE WARRANTS**

### **Number of Warrants**

Pursuant to the Warrant Placing Agreement, the Company agreed to issue up to 95,860,000 Warrants to the Placees.

The Warrants will rank *pari passu* in all respects among themselves.

### **Placing Price**

The Placing Price is HK\$0.02 per Warrant. The net issue price per Warrant, after deduction of all relevant expenses, is approximately HK\$0.018.

### **Number of Warrant Shares issuable**

As at the date of this announcement, the Company has a total of 718,962,519 Shares in issue. Assuming there is no further issue or repurchase of Shares, upon the full exercise of the subscription rights attached to the Warrants, 95,860,000 Warrant Shares will be issued, representing approximately 13.33% of the existing issued share capital of the Company and approximately 11.76% of the issued share capital as enlarged by the issue of the Warrant Shares.

## **Subscription Price**

Each Warrant carries the right to subscribe for one Warrant Share at the Subscription Price of HK\$0.28 per Warrant Share.

The Subscription Price of HK\$0.28 represents:

- (i) a discount of approximately 12.50% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.95% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five consecutive trading days preceding the Last Trading Day of approximately HK\$0.318;
- (iii) a discount of approximately 14.89% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten consecutive trading days preceding the Last Trading Day of approximately HK\$0.329; and
- (iv) a discount of approximately 22.22% to the net asset value per Share of approximately HK\$0.36 as at 30 June 2010 (based on the latest unaudited net assets of the Group as of 30 June 2010 published on the Stock Exchange's website (as adjusted for the estimated net proceeds from the Open Offer completed in October 2010) and the number of issued Shares as at the date of this announcement).

The Subscription Price is subject to normal adjustments in the events of, inter alia, share consolidation, subdivision, capital distribution, issue of Shares by way of capitalisation of profits or reserves, offer of new Shares for subscription by way of rights or options or warrants to subscribe for new Shares, issue of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, purchase of Shares, of or by the Company and such adjustments will be certified by the auditors of the Company or an approved merchant bank. The number of Warrant Shares shall not be altered save when there is a consolidation or subdivision of the Shares.

Both the Placing Price and the Subscription Price have been determined after arm's length negotiations between the Company and the Placing Agent, taking into account the recent trading prices of the Shares. The Board is of the opinion that the Placing Price and the Subscription Price are fair and reasonable and in the best interest of the Company.

## **Exercise Period**

The subscription rights attached to the Warrants can be exercised at any time during a period of two years commencing from the date of issue of the Warrants.

## **Listing**

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Warrant Shares on the Stock Exchange.

## **Ranking of the Warrant Shares**

The Warrant Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares as at the date of allotment.

## **Transferability**

The Subscription Rights are transferable, as representing the rights to subscribe in integral multiples of 20,000 Shares for the purpose of dealings therein from time to time on the Stock Exchange, provided that no transfer of the Warrants to connected persons (as defined in the Listing Rules) of the Company shall be allowed without the prior approval of the Company and the Stock Exchange.

## **Voting rights of the Warrants**

The holder(s) of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

## **GENERAL MANDATE TO ISSUE THE WARRANT SHARES**

The Warrant Shares will be issued pursuant to the General Mandate. Immediately prior to entering into the Warrant Placing Agreement, the General Mandate had not been utilised, and thus the maximum number of new Shares which could be issued under the General Mandate was 95,861,669 Shares (being 20% of the aggregate nominal amount of the total issued share capital of the Company of 479,308,346 Shares as at the date of the AGM). The Warrant Placing is not subject to any Shareholders' approval.

## **REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS**

The Group is principally engaged in properties investment and development and manufacture and sales of life-like plants.

Assuming all the Warrants are successfully placed out, the net proceeds from the Warrant Placing will be approximately HK\$1.77 million, which will be used as general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attached to the Warrants, up to a maximum amount of approximately HK\$26.84 million, will be applied as general working capital and as funds for future development of the Group.

Assuming all the Warrants are successfully placed out and the subscription rights attached to the Warrants are exercised in full, the total net proceeds, including the funds raised by the Warrant Placing, will be approximately HK\$28.61 million. The net price to the Company of each Warrant Share, which is calculated by dividing the aggregate net proceeds from the Warrant Placing and the exercise of the subscription rights attached to the Warrants by the total number of Warrants, will be approximately HK\$0.298.

The Directors also consider that the Warrant Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Placing Agent and that the terms of the Warrant Placing Agreement (including the Placing Price and the Subscription Price of the Warrants, and the placing commission payable) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned. The Directors also consider that the issue of the Warrants to the Placees would attract desirous funding for business development and would provide the Group with an opportunity to raise further funds when the Placees exercise the subscription rights attached to the Warrants.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 718,962,519 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attached to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise) are as follows:

	As at the date of this announcement		Immediately after the full exercise of the subscription rights attached to the Warrants	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
<i>Public</i>				
Placing Agent	1	0.00	1	0.00
Placees	—	0.00	95,860,000	11.76
Other public Shareholders	<u>718,962,518</u>	<u>100.00</u>	<u>718,962,518</u>	<u>88.24</u>
Total	<u>718,962,519</u>	<u>100.00</u>	<u>814,822,519</u>	<u>100.00</u>

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summaries the fund raising activities of the Group in the last 12 months immediately preceding the date of this announcement:

Date of initial announcement	Fund raising activity	Net proceeds (approximately)	Intended use of net proceeds as announced	Actual use of net proceeds
20 January 2010	Placing of 60,400,000 Shares	HK\$23.39 million	For general working capital of the Group	Retained as general working capital of the Group
8 September 2010	Open Offer of 239,654,173 Shares	HK\$57.38 million	For (1) future investment of the Group and (2) general working capital of the Group	Retained as general working capital of the Group



Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issue share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement, save for the options issued or to be issued under the share option scheme adopted by the Company on 22 July 2009, there are no equity securities of the Company with subscription rights outstanding and not yet exercised.

As at the date of this announcement, the Company has convertible bonds which entitling the holders thereof to convert and subscribe for 23,529,411 Shares.

Assuming there is no further issue or repurchase of Shares, upon the full exercise of the subscription rights attached to the Warrants, 95,860,000 Warrant Shares will be issued, which represent approximately 13.33% of the existing issued share capital of the Company and approximately 11.76% of the issued share capital as enlarged by the issue of the Warrant Shares.

Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company held on 31 May 2010
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Warrant Placing
“Director(s)”	the director(s) of the Company

“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Last Trading Day”	29 November 2010, being the last trading day of the Shares on which the Warrant Placing Agreement was entered into
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Open Offer”	the open offer as defined in the prospectus of the Company dated 7 October 2010
“Placee(s)”	the subscriber(s) of the Warrants procured by the Placing Agent
“Placing Agent”	Kingston Securities Limited, a corporation licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities) regulated activity
“Placing Price”	HK\$0.02 per Warrant
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	an initial exercise price of HK\$0.28 per Warrant Share (subject to adjustment pursuant to the terms of the Instrument) at which holder(s) of the Warrants may subscribe for the Warrant Shares
“Warrant Placing”	the placing of the Warrants pursuant to the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional warrant placing agreement dated 29 November 2010 entered into between the Company and the Placing Agent in relation to the Warrant Placing
“Warrant Share(s)”	up to 95,860,000 new Shares to be issued by the Company upon the full exercise of the subscription rights attached to the Warrants



“Warrant(s)”	up to 95,860,000 non-listed warrants in registered form and constituted by the Instrument, which are to be issued by the Company at the Placing Price, and each entitles the holder thereof to subscribe for one Warrant Share at the Subscription Price (subject to adjustment pursuant to the Instrument) at any time during a period of two years commencing from the date of issue of the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 29 November 2010

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