

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) PROPOSED CAPITAL REDUCTION**
(2) PROPOSED CHANGE IN BOARD LOT SIZE
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) PROPOSED PLACING OF REDUCED SHARES
UNDER A SPECIFIC MANDATE
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent



KINGSTON SECURITIES LTD.

A notice convening an extraordinary general meeting of Kong Sun Holdings Limited to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 30 July 2012 at 11:00 a.m. (the “Meeting”) is set out on pages 16 to 18 of this circular. Whether or not you are able to attend the Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting if you so wish.

5 July 2012

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EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reduction, the Change in Board Lot Size and increase in authorised share capital:

**Hong Kong Time
2012**

Latest time for lodging transfer of securities	4:30 p.m. Wednesday, 25 July
Book Closure Period	Thursday, 26 July to Monday, 30 July (both dates inclusive)
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Saturday, 28 July
Record Date	Monday, 30 July
Expected time and date of the EGM	11:00 a.m. on Monday, 30 July
Announcement of results of EGM	Monday, 30 July
Effective date of the Capital Reduction subject to the registration of documents under Companies Ordinance	Tuesday, 31 July
Effective date of the increase in authorised share capital.	Tuesday, 31 July
Commencement of dealings in the Reduced Shares	9:00 a.m. on Tuesday, 31 July
Effective date of Change in Board Lot Size from 5,000 Shares to 25,000 Reduced Shares	Tuesday, 31 July
First day for free exchange of existing share certificates for new share certificates for the Reduced Shares	Tuesday, 31 July
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Reduced Shares	Tuesday, 31 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Reduced Shares	Tuesday, 21 August
Last day for free exchange of existing share certificates for new share certificates for Reduced shares	Thursday, 23 August

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

DEFINITIONS

In this circular, the following terms shall have the meanings respectively set opposite them unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 13 June 2012 in relation to the Capital Reduction, the Change in Board Lot Size, the increase in authorised share capital and the Placing;
“Board”	the board of Directors;
“Capital Reduction”	the proposed reduction of the capital of the Company including the cancellation of the paid up capital to the extent of HK\$0.19 of each Share in issue from HK\$0.20 to HK\$0.01 and the reduction of the nominal value of all the issued and unissued Shares;
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC;
“Change in Board Lot Size”	the change in board lot size for trading on the Stock Exchange from 5,000 Shares to 25,000 Reduced Shares;
“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 main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Corporate Communication”	any document issued or to be issued by an issuer for the information or action of holders of any of its securities, including but not limited to: (a) the directors’ report, its annual accounts together with a copy of the auditors’ report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, pass the resolutions to approve, among other things, the Capital Reduction, the increase in authorised share capital and the Placing;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company;
“Latest Practicable Date”	29 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“Placing”	the placing of the Placing Shares, on a best effort basis, pursuant to the terms of the Placing Agreement;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	the conditional placing agreement dated 13 June 2012 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$0.07 per Placing Share;
“Placing Share(s)”	A maximum of 750,000,000 new Reduced Share(s) to be placed pursuant to the Placing Agreement;
“PRC”	the People’s Republic of China;
“Reduced Share(s)”	new ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction becoming effective;

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company prior to the Capital Reduction becoming effective;
“Shareholder(s)”	registered holder(s) of the Share(s) or Reduced Share(s) of the Company (as the case may be);
“Share Registrar”	Computershare Hong Kong Investor Services Limited;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules; and
“%”	per cent.



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. Chan Chi Yuen (*Chairman*)

Mr. Yu Pak Yan, Peter

Independent Non-Executive Directors:

Dr. Wong Yun Kuen

Mr. Lau Man Tak

Mr. Man Kwok Leung

Registered office and

Principal Place of Business:

Unit 905, 9th Floor

Wings Building

110–116 Queen's Road Central

Hong Kong

5 July 2012

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED CAPITAL REDUCTION**
(2) PROPOSED CHANGE IN BOARD LOT SIZE
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) PROPOSED PLACING OF REDUCED SHARES
UNDER A SPECIFIC MANDATE
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement that the Board proposes to put forward a proposal to the Shareholders to effect the Capital Reduction, the Change in Board Lot Size, the increase in authorised share capital and the Placing of Reduced Shares under a specific mandate. The purpose of this circular is to give you further information on the Capital Reduction, the Change in Board Lot Size, the increase in authorised share capital, the Placing and to give notice of the EGM to the Shareholders at which a special resolution and two ordinary resolutions will be proposed to consider and, if thought fit, to approve the Capital Reduction, the increase in authorised share capital and the Placing under a specific mandate to issue and allot the Placing Shares.

LETTER FROM THE BOARD

PROPOSED CAPITAL REDUCTION

The Board proposes to put forward a proposal to the Shareholders for the purpose of effecting the Capital Reduction pursuant to section 58(3) of the Companies Ordinance.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$400,000,000 divided into 2,000,000,000 Shares of HK\$0.20 each and the issued share capital of the Company was HK\$143,792,503.80 divided into 718,962,519 Shares of HK\$0.20 each.

Assuming no further Shares will be issued between the Latest Practicable Date and the EGM, immediately after completion of the Capital Reduction, the authorised share capital of the Company will be reduced from HK\$400,000,000 divided into 2,000,000,000 Shares of HK\$0.20 each to HK\$20,000,000 divided into 2,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling the paid-up capital to the extent of HK\$0.19 on each of the issued Shares and reducing the nominal value of each unissued Share by HK\$0.19.

The issued share capital of the Company will be reduced from HK\$143,792,503.80 to HK\$7,189,625.19, giving rise to a total credit approximately HK\$136,602,878.61 of which will, in its entirety, be credited to the share premium account of the Company.

The Capital Reduction is proposed to take effect under section 58(3) of the Companies Ordinance pursuant to which no confirmation by the Court will be required.

Conditions of the Capital Reduction

The Capital Reduction is conditional upon:

- (a) the passing of the relevant special resolution(s) by the Shareholders to approve the Capital Reduction at the EGM;
- (b) the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the Shareholders, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied; and
- (c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Reduced Shares to be issued following the Capital Reduction becoming effective.

Assuming all the conditions are fulfilled, the Capital Reduction will become effective upon the registration of the documents required under section 61A of the Companies Ordinance.

LETTER FROM THE BOARD

Effects of the Capital Reduction

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$400,000,000 divided into 2,000,000,000 Shares, of which 718,962,519 Shares had been issued and are fully paid. On the basis of the same number of the Shares in issue and upon the Capital Reduction becoming effective, the authorised share capital of the Company will become HK\$20,000,000 comprising 2,000,000,000 Reduced Shares, of which 718,962,519 Reduced Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will become approximately HK\$7,189,625.19.

The credit of approximately HK\$136,602,878.61 arising from the Capital Reduction will be credited to the share premium account of the Company as required under section 58(3) of the Companies Ordinance.

Implementation of the Capital Reduction does not, by itself, alter the underlying assets, liabilities, businesses, management or financial position of the Group and the Company or the rights of the Shareholders, except for payment of the related expenses. The proportionate interests and the voting rights of the Shareholders in the Company will not be affected by the Capital Reduction.

The Board believes that the Capital Reduction will not have any adverse effect on the financial position of the Company and the Board believes that on the date the Capital Reduction is to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reduction and, except for the expenses involved in relation to the Capital Reduction which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reduction becoming effective. The Capital Reduction does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The Reduced Shares will rank *pari passu* in all respects with each other and the Capital Reduction will not result in any change in the relative rights of the Shareholders.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Reduced Shares to be issued upon the Capital Reduction becoming effective.

In order to alleviate the difficulties arising from the existence of odd lots of Reduced Shares arising from the Capital Reduction, the Company has appointed an agent, Kingston Securities Limited, to stand in the market to provide matching services for the odd lots of Reduced Shares on a best effort basis. Details of which are disclosed in the “Arrangement on odd lot trading” section below.

LETTER FROM THE BOARD

Adjustment to Existing Share Option and Non-listed Warrants

As at the Latest Practicable Date, save for the subscription rights attaching to the existing share options and non-listed warrants, the Company had no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares. The Capital Reduction may give rise to adjustment(s) to the conversion price and/or number of Shares to be issued upon exercise of conversion rights of the existing share options and non-listed warrants. The Company will make a further announcement about the adjustment(s) in due course.

Dealings in Reduced Shares and Free exchange of share certificates

Subject to the Capital Reduction becoming effective, the Shareholders may, on or after 31 July 2012 until 23 August 2012 (both days inclusive), submit their existing share certificates for the Shares which are pink in color, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, during the business hours, in exchange, at the expense of the Company, for new share certificates for Reduced Shares, which are green in color.

Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each share certificate issued or cancelled, whichever is higher. Certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purposes after the Capital Reduction and may be exchanged for certificates for Reduced Shares at any time at the expense of the Shareholders after such period.

Reasons for the Capital Reduction

The Shares have been trading below their par value of HK\$0.20 for a long period of time and under the Companies Ordinance, it is not permissible for a company to issue shares at a discount to the nominal value of its share unless, among other things, it is authorised by the Shareholders and sanctioned by the court. Therefore, unless the par value of each Share is reduced, it will be very difficult for the Company to raise new capital by issuing new Shares. In order to provide the Company with greater flexibility for raising capital by issuing of new Reduced Shares in the future, the Board proposed the Capital Reduction. The Directors consider that the Capital Reduction is in the best interests of the Company and the Shareholders as a whole.

PROPOSED CHANGE IN BOARD LOT SIZE

Subject to the Capital Reduction becoming effective, the Board also proposes to change the board lot size for trading in the shares of the Company from 5,000 Shares to 25,000 Reduced Shares. It is believed that the enlarged board lot size will reduce the overall transaction costs in dealing with the Reduced Shares. The Board is of the opinion that the Change in Board Lot Size is in the best interests of the Company and the Shareholders as a whole. Save as disclosed herein, the Change in Board Lot Size will not affect any of the Shareholders' rights.

LETTER FROM THE BOARD

Based on the closing price of HK\$0.099 per Share as quoted on the Stock Exchange as at the Latest Practicable Date and the existing board lot size of 5,000 Shares, the prevailing board lot value is HK\$495. Assuming the Capital Reduction becomes effective, on the basis of the aforesaid closing price and the new board lot size of 25,000 Reduced Shares, the new board lot value would be HK\$2,475.

Subject to the granting of listing of, and permission to deal in, the Reduced Shares on the Stock Exchange, the Reduced 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 Reduced 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Reduced Shares, the Company has appointed Kingston Securities Limited to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Reduced Shares to make up a full board lot, or to dispose of their holding of odd lots of the Reduced Shares. Holders of odd lots of the Reduced Shares who wish to take advantage of this facility either to dispose of their odd lots of the Reduced Shares or to top up to board lot of 25,000 Reduced Shares may contact Ms. Rosita Kiu of Kingston Securities Limited at telephone number (852) 2298 6215 during the period from 31 July 2012 to 21 August 2012 (both dates inclusive). Shareholders should note that the above matching service is on a best effort basis only and successful matching of the sale and purchase of odd lots of Reduced Shares is not guaranteed. Shareholders who are in any doubt about such matching service are recommended to consult their own professional advisers.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Capital Reduction becoming effective, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 (divided into 2,000,000,000 Reduced Shares) to HK\$200,000,000 (divided into 20,000,000,000 Reduced Shares) by the creation of an additional 18,000,000,000 Reduced Shares of par value HK\$0.01 each in order to facilitate any future expansion in the share capital of the Company.

Save as the Reduced Shares to be issued due to the exercise of subscription rights attaching to the exiting share options and non-listed warrants, the Directors have no present intention to issue any part of the proposed additional unissued Reduced Shares to be created.

The proposed increase in authorised share capital of the Company is conditional upon the passing by the Shareholders of the relevant ordinary resolution at the EGM.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date: 13 June 2012 (after trading hours)

Parties: The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to place a maximum number of 750,000,000 Placing Shares, on a best effort basis. The Placing Agent will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed. The Placing Agent was interested in 1 Share as at the Latest Practicable Date. To the best of the Director's knowledge, information and belief having made all reasonable enquiries and save for the fact that the Placing Agent held 1 Share as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Agent agreed to place the Placing Shares to not fewer than six Placees (who will be independent professional, institutional or other investor), each of the placees and their respective ultimate beneficial owners shall be a third party independent of and not connected with or acting in concert with the Company or its connected persons and shall not be connected with each other or acting in concert with each other or any Shareholder. None of the placees and their respective concert parties shall become a substantial Shareholder upon completion of the Placing.

Number of Placing Shares

A maximum number of 750,000,000 Reduced Shares will be placed by the Placing Agent to the Placees on a best effort basis, representing approximately 104.32% of the adjusted issued share capital of the Company upon completion of the Capital Reduction based on the Company's existing issued share capital of 718,962,519 Shares as at the Latest Practicable Date and approximately 51.06% of the then issued share capital of 1,468,962,519 Reduced Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$7,500,000.

Ranking of Placing Shares

The Placing Shares will rank, when issued and fully paid, pari passu in all respects with the Reduced Shares in issue on the date of allotment and issue of the Placing Shares.

LETTER FROM THE BOARD

Placing Price

The Placing Price of HK\$0.07 represents:

- (i) a discount of approximately 29.29% to the closing price of HK\$0.099 per Reduced Share based on the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 46.15% to the closing price of HK\$0.13 per Reduced Share based on the closing price of HK\$0.13 per Share as quoted on the Stock Exchange at the date of the Announcement;
- (iii) a discount of approximately 45.31% to the average closing price of HK\$0.128 per Reduced Share, based on the average closing price per Share of approximately HK\$0.128 for the last five consecutive trading days prior to the date of the Announcement; and
- (iv) a discount of approximately 46.15% to the average closing price of HK\$0.13 per Reduced Share, based on the average of the closing price per Share of approximately HK\$0.13 for the last ten consecutive trading days prior to the date of the Announcement.

The Placing Price of HK\$0.07 was arrived at after arm's length negotiation between the Company and Placing Agent with reference to the prevailing market price and the recent trading volume of the Shares. In view of the unstable economic environment and unfavorable financial market conditions, the Board considers that a lower placing price is required to encourage investments in the Company by the potential placees and the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Placing is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders at the EGM to approve, amongst other things, the Placing and the allotment and issue of the Placing Shares pursuant to the terms of the Placing Agreement;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Placing Shares;
- (iii) the Capital Reduction becoming effective; and
- (iv) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provision regarding force majeure events.

LETTER FROM THE BOARD

In the event that any of the conditions is not fulfilled within three months after the date of the EGM, the Placing Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Placing Agreement.

Mandate to issue the Placing Shares

The Placing Shares to be issued under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the EGM.

Termination of the Placing

- (i) The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the completion date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; 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, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

LETTER FROM THE BOARD

- (ii) If, at or prior to 9:00 a.m. on the completion date:
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
 - (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the Placing; or
 - (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

Completion of the Placing

Completion of the Placing will take place within four business days after the fulfillment of the conditions as set out in the Placing Agreement but no later than 5:00 p.m. on the date falling on three months after the date of EGM or such later date to be agreed between the Company and the Placing Agent.

Application will be made to the Stock Exchange for the Listing of, and permission to deal in, the Placing Shares.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Proceeds from the Placing

On assumption of completion of the Placing, the net maximum proceeds raised upon completion of the Placing will be approximately HK\$50.32 million and the net price per Placing Share is approximately HK\$0.067. The aggregate nominal value of the Placing Shares under the Placing is approximately HK\$7,500,000.

Reasons for the Placing and used of proceeds

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$52.50 million and HK\$50.32 million, respectively. The Company intends to utilize the net proceeds for acquisition(s) of property(ies). The target properties under review are of commercial use and include shops and offices. Such target properties are located in Hong Kong. The Company intends to hold the properties as long term investments after acquisition(s). Separate negotiations between the Company and the potential vendors of various target property(ies), which are Independent Third Party(ies), have been undergoing. No

LETTER FROM THE BOARD

final terms have been fixed nor any agreements have been entered into up to the date of the Latest Practicable Date. However, the Board considers that it is in the best interest of the Company to enhance its capital in order to facilitate possible acquisition(s) of properties which may crystalize in the near future. The Directors consider it is an appropriate strategy to expand its properties investment portfolio in view of the current market outlook, and by acquiring properties with good commercial value will bring stable recurrent rental income to the Company. Announcement(s) will be made by the Company as and when appropriate according to the Listing Rules. Such possible acquisition(s) may or may not realize and may or may not constitute notifiable transactions under the Listing Rules.

The Directors consider that the Placing represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Taking into account that (i) the possible enhancement of the profile of the Shareholders given that the Placees will be professional, institutional or other investors or any of their respective subsidiaries or associates; and (ii) the long-term benefits that may be generated from the investment to be made with the proceeds from the Placing which in turn may increase the value of the Shares, the Directors are of the view that the Placing is in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not carried out any fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

EFFECT ON SHAREHOLDING STRUCTURE

Assuming that there are no changes in the issued share capital of the Company prior to the completion of the Capital Reduction, the Change in Board Lot Size, the increase in authorised share capital and the Placing, the effects on the shareholding structure of the Company upon completion will be as follows:

	Shareholding as at the Latest Practicable Date		Shareholding upon completion of Capital Reduction, Change in Board Lot Size, increase in authorised share capital and the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Reduced Shares</i>	<i>Approximate %</i>
Ho Kam Hung	50,040,600	6.96%	50,040,600	3.40%
Placee(s)	—	—	750,000,000	51.06%
Other public Shareholders	<u>668,921,919</u>	<u>93.04%</u>	<u>668,921,919</u>	<u>45.54%</u>
	<u><u>718,962,519</u></u>	<u><u>100.00%</u></u>	<u><u>1,468,962,519</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had existing share options and non-listed warrants, which may be converted into 34,208,382 Shares at the exercise price of HK\$0.422 and may be converted into 95,860,000 Shares at the exercise price of HK\$0.28 respectively.

None of the holders of the Placing Shares and their respective concert parties shall become a substantial Shareholder upon completion of the Placing Shares.

GENERAL

The Company is an investment holding company that was incorporated in Hong Kong with limited liability. The principal activities of subsidiaries of the Company are properties investment and development, manufacture and sales of life-like plants and securities investment.

EGM

The notice of the EGM is set out on pages 16 to 18 of this circular. A form of proxy for use at the EGM is enclosed. At the EGM, resolutions will be proposed for Shareholders to consider, and if thought fit, to approve the Capital Reduction, the increase in authorised share capital and the Placing. The vote of the Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, the Directors confirm that no Shareholder is required to abstain from voting at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy to Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Closure of Register of Members

For the purpose of determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 26 July 2012 to Monday, 30 July 2012, both dates inclusive, during which period no transfer of shares will be effected. In order to attend and vote at the meeting, all completed transfer forms of shares (together with the relevant share certificates) must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 25 July 2012.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company 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 circular 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 circular misleading.

RECOMMENDATION

The Directors believe that the proposal for the Capital Reduction, the Change in Board Lot Size, the increase in authorised share capital and the Placing are in the interests of the Company and Shareholders as a whole and recommend Shareholders to vote in favour of the resolutions proposed at the EGM to approve the aforesaid.

Yours faithfully,
By order of the Board
Kong Sun Holdings Limited
Chan Chi Yuen
Chairman



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kong Sun Holdings Limited (the “**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 30 July 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions:

SPECIAL RESOLUTION

1. “**THAT** conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Reduced Shares (as defined below) and (ii) the Capital Reduction (as defined below) becoming effective on the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the holders of the shares of the Company, a copy of the minutes containing the particulars required under section 61A of the Companies Ordinance (Laws of Hong Kong, Chapter 32) (the “**Companies Ordinance**”) and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied:
 - (i) the authorised share capital of the Company be reduced from HK\$400,000,000 divided into 2,000,000,000 shares of HK\$0.20 each (the “**Shares**”) to HK\$20,000,000 divided into 2,000,000,000 reduced shares of HK\$0.01 each (the “**Reduced Shares**”) and that such reduction be effected by cancelling share capital paid up or credited as paid up to the extent of HK\$0.19 per Share upon each of the shares in issue and by reducing the nominal value of all the issued and unissued Shares in the share capital of the Company from HK\$0.20 to HK\$0.01 per Reduced Share (the “**Capital Reduction**”);
 - (ii) subject to the Capital Reduction taking effect, the credit arising from the Capital Reduction be credited to the share premium account of the Company;
 - (iii) all of the Reduced Shares resulting from the Capital Reduction shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions contained in the Company’s articles of association; and
 - (iv) the directors of the Company (the “**Directors**”) be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the Capital Reduction and the application of credit arising from the Capital Reduction.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTIONS

2. **“THAT** conditional upon the Capital Reduction referred to in the special resolution set out in the notice convening this meeting becoming effective, the authorised share capital of the Company be increased from HK\$20,000,000 divided into 2,000,000,000 Reduced Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Reduced Shares of HK\$0.01 each by the creation of 18,000,000,000 Reduced Shares of HK\$0.01 each, and that each such Reduced Share, upon issue, shall rank pari passu in all respects with the Reduced Shares (the **“Increase in the Authorised Share Capital”**) and that the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable, or expedient in connection with the implementation of the Increase in the Authorised Share Capital.”

3. **“THAT**
 - (i) the placing agreement dated 13 June 2012 entered into between the Company as issuer and Kingston Securities Limited as placing agent in relation to the placing of a maximum of 750,000,000 new Reduced Shares (the **“Placing Shares”**) of HK\$0.01 each in the share capital of the Company at a placing price of HK\$0.07 per Placing Share (the **“Placing Agreement”**) (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

 - (ii) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares and fulfillment of conditions set out in the Placing Agreement, the issue and allotment of the Placing Shares, pursuant to and subject to the terms and conditions of the Placing Agreement, be and are hereby approved; and

 - (iii) the Directors be and are hereby authorised to exercise all the powers of the Company and take all steps as might in the opinion of the Directors be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Placing Agreement as well as in relation to the issue and allotment of the Placing Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

By order of the Board
Kong Sun Holdings Limited
Chan Chi Yuen
Chairman

Hong Kong, 5 July 2012

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office and
principal place of business in Hong Kong:*
Unit 905, 9th Floor
Wings Building
110–116 Queen's Road Central
Hong Kong

Notes:

1. Every member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy (if a member who is holder of two or more shares) to attend and vote for him/her on his/her behalf of the meeting.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof.
4. The register of members of the Company will be closed from Thursday, 26 July 2012 to Monday, 30 July 2012, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the meeting, all completed transfer forms of shares (together with the relevant share certificates) must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 25 July 2012.
5. As at the date of hereof, the board of directors of the Company comprises two executive directors, Mr. Chan Chi Yuen and Mr. Yu Pak Yan, Peter; and three independent non-executive directors, Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Man Kwok Leung.