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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)

**MEMORANDUM OF UNDERSTANDING
FOR THE SUBSCRIPTION OF SHARES AND/OR
CONVERTIBLE SECURITIES**

On 29 March 2014, the Company and the Investor entered into the Memorandum pursuant to which the Investor proposed to subscribe such number of Shares and/or convertible securities of the Company representing not less than 25% of the issued share capital of the Company as enlarged by the issue and/or conversion. The issue price and/or conversion price per Share has been agreed to be not more than HK\$0.36.

The Company intends to apply the proceeds from the Proposed Subscription to fund its diversification plan, new investments and business opportunities.

The Proposed Subscription is subject to negotiation and finalisation, and may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

THE PROPOSED SUBSCRIPTION

On 29 March 2014, the Company and the Investor entered into the Memorandum in relation to the Proposed Subscription. The principal terms of the Memorandum are set out below.

Date: 29 March 2014

Parties: (1) the Company; and
(2) the Investor.

The Investor is a private equity fund established in the Cayman Islands for leverage buyout and growth capital transaction focusing on investments in the environmental protection, clean energy, consumer retailing, healthcare and technological development sectors. As at the date of this announcement, the Investor has assets under its management of approximately US\$600 million. To the best knowledge of the Directors, having made all reasonable enquiries, the Investor is independent of and not connected with the Company or any of its connected persons.

Subject:

The Investor proposed to subscribe for Shares and/or convertible securities of the Company representing not less than 25% of the issued share capital of the Company as enlarged by the issue/conversion. The issue price and/or conversion price per Share is agreed to be not more than HK\$0.36.

The issue price/conversion price represents:

- (a) a discount of approximately 1.37% to the closing price of the Shares of HK\$0.365 per Share as quoted on the Stock Exchange on 28 March 2014, the last trading day prior to the date of the Memorandum;
- (b) a discount of approximately 6.25% to the average closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including 28 March 2014 of HK\$0.384 per Share; and
- (c) a premium of approximately 3.30% to the average closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including 28 March 2014 of HK\$0.3485 per Share.

The issue price/conversion price was determined after arm's length negotiations with reference to the prevailing market prices of the Shares.

Exclusivity:

The Company and the Investor have agreed that for a period of 60 days from the date of the Memorandum, or such later date as may be further agreed by the parties, none of the Company and its subsidiaries, or their respective directors, officers, agents, advisors or any other representatives will, among other things, engage in any discussions with any parties other than the Investor in respect of the Proposed Subscription.

The Company and the Investor proposed to negotiate in good faith and execute a definite agreement in respect of the Proposed Subscription within 60 days from the date of the Memorandum.

Legal effect:

The Memorandum is not-binding, save for the provisions regarding exclusivity and the issue price and/or conversion price per Share.

REASON FOR THE PROPOSED SUBSCRIPTION

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants and securities investment.

As stated in the 2013 results announcement of the Company dated 24 March 2014, the Company is looking for diversification, new investments and business opportunities. To this end, the Company seeks to raise additional funds by way of the Proposed Subscription.

As at the date of this announcement, the Company has not identified any specific investment and no binding agreement in respect of any new investment has been entered into.

GENERAL

The detailed terms of the Proposed Subscription are still subject to negotiation and finalization and as at the date of this announcement, no binding agreements in relation to the Proposed Subscription have been entered into. The Company will comply with the relevant disclosure requirements of the Listing Rules when a binding agreement is entered into. **As the Proposed Subscription may or may not materialise, shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.**

DEFINITIONS

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

“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Investor”	Pohua JT Private Equity Fund L.P., a private equity investment fund established in the Cayman Islands;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the memorandum of understanding dated 29 March 2014 entered into between the Company and the Investor;
“Proposed Subscription”	the proposed subscription for Shares and/or convertible securities of the Company by the Investor; and
“Shares”	ordinary shares of the Company.

By order of the Board
Kong Sun Holdings Limited
Mr. Yu Pak Yan, Peter
Chairman

Hong Kong, 30 March 2014

As of the date of this announcement, the Board comprises three executive directors, Mr. Yu Pak Yan, Peter, Mr. Chang Hoi Nam and Mr. Liu Wen Ping and three independent non-executive directors, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.