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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)

INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING IN RESPECT OF
A VERY SUBSTANTIAL ACQUISITION
AND
RESUMPTION OF TRADING

THE ACQUISITION

On 12 July 2015, the Company and the Vendors entered into the Memorandum pursuant to which the Vendors agreed to sell and the Company agreed to purchase the entire equity interest in the Target Company.

The consideration for the Acquisition is to be finally determined by the parties through an audit of the Target Company and a valuation of the land and properties and the photovoltaic power stations held by the Target Company, and is expected to be between RMB850 million and RMB1,150 million. The Company and the Vendors will enter into the Acquisition Agreement upon the consideration has been finally determined.

As the applicable ratios in respect of the Acquisition are expected to be more than 100%, the Acquisition will constitute a very substantial acquisition for the Company and is subject to the approval by the Shareholders at the EGM by way of poll.

A circular containing, among other things, further details about the Acquisition and a notice convening the EGM will be sent to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders on or about 30 September 2015.

TRADING SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 9 July 2015 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 14 July 2015.

Shareholders and potential investors should note that completion of the Acquisition is subject to the parties entering into the Acquisition Agreement and the fulfillment of the conditions thereunder. Accordingly, the Acquisition may or may not proceed to completion, Shareholders and potential 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.

On 12 July 2015, the Company entered into the Memorandum with the Vendors to set out the principal terms upon which the parties will proceed with the Acquisition. The Memorandum is legally binding and the parties intend to finalize the terms of the agreement in relation to the Acquisition as soon as practicable. The principal terms of the Memorandum are as follows:

THE MEMORANDUM

Date

12 July 2015

Parties

Purchaser: the Company

Vendors: all of the shareholders of the Target Company comprising 55 individuals and 12 companies

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Target Company and the Vendors is an independent third party and is not a connected person of the Company.

Assets to be acquired

The Company agreed to acquire from the Vendors all of the equity interests in the Target Company. Further information about the Target Company is set out in the paragraph headed "Information on the Target Company" below.

Consideration

The consideration for the Acquisition will be fixed on the basis of the net assets value of the Target Company as at 30 June 2015, and adjusted by the revaluation of the land and properties held by the Target Company and the value of the photovoltaic power stations held by the Target Company and calculated at between 1.2 and 1.7 times price-to-book ratio.

The final consideration will be determined through an audit to be conducted on the Target Company and a valuation of its land and properties and photovoltaic power stations. Based on the management accounts of the Target Company, it is expected that the consideration will be between RMB850 million and RMB1,150 million. The Company and the Vendors will enter into the Acquisition Agreement upon the consideration has been finally determined.

The consideration for the Acquisition will be satisfied by the Company through a combination of cash and the issue of the Consideration Shares to the Vendors at the Issue Price. The exact ratio on the cash and Consideration Shares will be determined by the parties prior to the Acquisition Agreement is entered into.

Pursuant to the Memorandum, the Company shall pay RMB10 million as deposit to the Vendors within five(5) business days after the signing of the Memorandum.

Consideration Shares

The exact number of Consideration Shares to be allotted and issued by the Company to the Vendors to partly settle the consideration for the Acquisition is to be determined by the parties before the Acquisition Agreement is entered into.

The Consideration Shares will be allotted and issued under a specific mandate to be sought from the Shareholders at the EGM. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and the issue of the Consideration Shares.

Issue Price

The Consideration Shares will be issued at HK\$1.00 per Share. The Issue Price represents:

- (i) a premium of approximately 25% to the closing price of the Shares of HK\$0.80 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.48% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.948 per Share;
- (iii) a discount of approximately 7.66% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$1.083 per Share; and
- (iv) a premium of approximately 271.75% to the equity attributable to owners of the Company of HK\$0.269 per Share as at 31 December 2014.

The Issue Price was determined after arm's length negotiations between the Vendors and the Company with reference to the prevailing market prices of the Shares.

Application for listing of the Consideration Shares

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

Conditions precedent

The conditions precedent for the Acquisition will be set out in the Acquisition Agreement but will include at least the following:

- (a) the Company having obtained approval from the Shareholders on the Acquisition Agreement and the transactions contemplated under the Acquisition; and
- (b) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares.

If the conditions precedent are not satisfied within six months (or such later date as may be agreed between the parties) of the Memorandum, the Acquisition shall lapse.

Other terms of the Memorandum

The Company and the Vendors have agreed that for a period of six months from the date of the Memorandum, or such later date as may be further agreed by the parties, the Vendors will negotiate exclusively with the Company in respect of the Acquisition. The Company and the Vendors will negotiate in good faith and finalize and execute a definite agreement in respect of the Acquisition as soon as practicable.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in the construction and development of photovoltaic station projects and manufacture and sale of wind-solar hybrid street lights in the PRC.

Financial information of the Target Company

Set out below is the consolidated financial information of the Target Company for the two years ended 31 December 2014 prepared in accordance with the accounting standards of the PRC:

	For the year ended 31 December 2013	For the year ended 31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Before tax profit	70,623	29,072
After tax profit	53,639	22,067

The net assets value of the Target Company as at 31 May 2015 was approximately RMB496,422,000.

The financial information on the Target Company disclosed above is subject to audit and an accountants' report on the Target Company prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

REASON FOR THE ACQUISITION

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants, securities investment and investment in photovoltaic power plants in the PRC. The Company has, since late April 2014, entered into a number of memoranda of understanding and agreements for the development of photovoltaic power plants across the PRC. The Acquisition signifies the furtherance of the Group's initiative into the photovoltaic power sector in the PRC and presents a good opportunity for the Group's long-term development.

The Target Company has many years experience in the solar energy business, more importantly, they have business in the construction of photovoltaic power stations and the manufacture and sale of wind-solar hybrid street lights, which could help the Group to diversify its income stream.

Given that the experience of the Target Company in the development of photovoltaic power stations could compliment and enhance the Group's initiative in developing photovoltaic power stations in the PRC and the wind-solar hybrid street lights could be an income stream for the Group, and that the Acquisition is being carried out after arm's length negotiations on normal commercial terms, the Directors are of the view that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

As the applicable ratios in respect of the Acquisition are expected to be more than 100%, the Acquisition will constitute a very substantial acquisition for the Company and is subject to the approval by the Shareholders at the EGM by way of poll.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

In the 12-month period immediately preceding the date of this announcement, the Company has carried out the following equity fund raising exercises:

Date of announcement	Equity fund raising exercise	Net Proceeds <i>HK\$</i>	Intended use of proceeds	Actual use of proceeds as at date of this announcement
10 June 2014	Issue of 6,528,080,000 Shares	2,338.1 million (equivalent to approximately RMB1,864.3 million)	Investment in the acquisition of photovoltaic power plants and as general working capital	All the proceeds of RMB1,864.3 million has been utilized to fund acquisition and/or development of photovoltaic power plants
23 March 2015	Placing of 352,000,000 Shares	366.1 million (equivalent to approximately RMB292.9 million)	Investment in the acquisition of photovoltaic power plants and as general working capital	RMB193.6 million has been utilized to fund acquisition and/or development of photovoltaic power plants
28 April 2015	Placing of 1,144,700,000 Shares	1,335.0 million (equivalent to approximately RMB1,068.0 million)	Investment in the acquisition of photovoltaic power plants and as general working capital	All the proceeds of RMB1,068.0 million has not been used

Save for the equity fund raising activities disclosed above, the Company has not carried out any other equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

GENERAL

A circular containing, among other things, further details about the Acquisition and a notice convening the EGM will be sent to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders on or about 30 September 2015.

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DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire equity interest in the Target Company;
“Acquisition Agreement”	the formal sale and purchase agreement to be entered into between the Company and the Vendors in relation to the Acquisition;
“Board”	the board of directors of the Company;
“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 persons”	has the meaning ascribed thereto under the Listing Rules;

“Consideration Shares”	ordinary shares of the Company to be issued by the Company as partial settlement for the consideration of the Acquisition;
“Director(s)”	director(s) of the Company from time to time;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the Acquisition and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Issue Price”	HK\$1.00, the price at which the Consideration Shares will be issued;
“Last Trading Day”	8 July 2015, being the last trading day for the Shares before trading in the Shares was suspended on 9 July 2015;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the legally binding memorandum of understanding entered into between the Company and the Vendors;
“PRC”	the People’s Republic of China and for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	a company established in the PRC which is principally engaged in the construction and development of photovoltaic station projects and manufacture and sale of wind-solar hybrid street lights;
“Vendors”	all of the shareholders of the Target Company; and
“%”	per cent.

By order of the Board
Kong Sun Holdings Limited
Mr. Liu Wen Ping
Executive Director

Hong Kong, 13 July 2015

As of the date of this announcement, the Board comprises two executive directors, Mr. Liu Wen Ping and Mr. Chang Hoi Nam, two non-executive directors, Dr. Ma Ji and Mr. Chang Tat Joel, and three independent non-executive directors, Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda.