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If you have sold or transferred all your shares in Kong Sun Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the 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)

**CONNECTED TRANSACTION
SUBSCRIPTION FOR NEW SHARES BY A CONNECTED PERSON
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



PLATINUM
Securities

A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 40 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 2 February 2016 at 11 a.m. (the "EGM") is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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, as soon as possible and in any event not less than 48 hours before the time fixed 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 should you so wish.

18 January 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	20
APPENDIX – GENERAL INFORMATION	41
NOTICE OF THE EGM	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 January 2016 in relation to, among other things, the Subscription
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“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
“Completion”	completion of the Subscription
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription
“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 People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Platinum Securities”	Platinum Securities Company Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) the Subscriber and its associates and (ii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM
“Latest Practicable Date”	15 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the term loan in the principal amount of HK\$1.5 billion provided by the Subscriber to the Company pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 19 November 2015 entered into between the Company and the Subscriber pursuant to which the subscriber provided a term loan in the principal amount of HK\$1.5 billion to the Company
“MW”	mega watts
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Pohua JT Private Equity Fund L.P., who will subscribe for the Subscription Shares and is a controlling shareholder of the Company

DEFINITIONS

“Subscription”	subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 5 January 2016 entered into between the Subscriber and the Company
“Subscription Price”	the subscription price of HK\$0.66 per Subscription Share
“Subscription Share(s)”	5,177,000,000 new Share(s)
“%”	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. Liu Wen Ping

Mr. Chang Hoi Nam

Non-Executive Directors:

Dr. Ma Ji (*Chairman*)

Mr. Chang Tat Joel

Independent Non-Executive Directors:

Mr. Miu Hon Kit

Mr. Wang Haisheng

Mr. Lu Hongda

Registered Office and

Principal Place of Business:

Unit 3601, 36/F

China Resources Building

26 Harbour Road, Wanchai

Hong Kong

Hong Kong, 18 January 2016

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
SUBSCRIPTION FOR NEW SHARES BY A CONNECTED PERSON**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription.

The purpose of this circular is to provide you with information, among other things, further details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement.

LETTER FROM THE BOARD

THE SUBSCRIPTION

On 5 January 2016, the Company and the Subscriber entered into the Subscription Agreement. The principal terms are set out below:

Date

5 January 2016

Parties

- (a) the Company; and
- (b) the Subscriber.

Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

The Subscription Shares represent (i) approximately 52.89% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price is HK\$0.66 per Subscription Share. The Subscription Price represents a premium of approximately 6.45% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange as at 5 January 2016, being the date of the Subscription Agreement.

The aggregate amount of the Subscription is approximately HK\$3,416,820,000 (equivalent to approximately RMB2,853,044,000), which will be settled as follows:

- (a) by way of set off against the outstanding principal amount of HK\$1.5 billion (equivalent to approximately RMB1,226.8 million) under the Loan Agreement and interest accrued thereon as at the date of Completion; and
- (b) the balance to be settled by cash by the Subscriber.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares and the business prospects of the Group:

Business prospects

Environmental protection remains one of the areas of concern in the National People's Congress and Chinese People's Political Consultative Conference and related policies have been adopted. Premier Li Keqiang has indicated in the Government Work Report 2015 that great efforts should be devoted to the development of the clean energy sector, including photovoltaic power generation. In 2015, China added 14.95 gigawatts of photovoltaic installed capacity and the total photovoltaic installed capacity amounted to approximately 43 gigawatts as at the end of 2015 and exceeded Germany as the largest accumulated photovoltaic installed capacity country in the world.

In 2015, the Group continued to invest in photovoltaic power plants and recorded significant increase in revenue during the year. In particular, in December 2015, the acquisition (the "**Zhongke Acquisition**") by 江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Co., Ltd.*), a wholly-owned subsidiary of the Company, of the 44.587% equity interest in 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*) ("**Zhongke**") pursuant to an acquisition agreement dated 4 December 2015 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. Upon completion of the Zhongke Acquisition, the Group can benefit from the experience and expertise of Zhongke in relation to its EPC business in solar plants and the synergies of shared resources and market information.

The Group is presently in various stages of discussion with various stakeholders of photovoltaic power plants over potential acquisitions in the PRC. The Group is confident that, with the Group's solid and experienced management, the Group will be able to continue to grasp investment opportunities on photovoltaic projects and maximise their potential for creating a significant growth in business in the long run.

Trading performance of the Shares

Since the second half of 2015, the stock market in Hong Kong was mostly volatile, unstable and with a downward trend, the share prices of many listed companies tumbled during this period. The trading price of Shares also followed this trend during the same period.

LETTER FROM THE BOARD

Having considered that the Subscription Price represents a premium of approximately 6.45% over the closing price of HK\$0.62 per Share as at 5 January 2016, the date of the Subscription Agreement, and in view of the recent market trend and trading performance of the Shares and the actual funding need of the Group to continue to develop its business as illustrated in the paragraphs "Business Prospects" and "REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS" in this letter from the Board, the Directors (including the independent non-executive Directors after taking into account the advice given by the Independent Financial Advisor) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (a) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (b) the approval by the Independent Shareholders of the entering into of the Subscription Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules; and
- (c) the warranties given by the Subscriber under the Subscription Agreement remaining true and accurate, not misleading and there is no material omission.

The Company may waive the condition in paragraph (c) above in whole or in part. In the event that any of the conditions of the Subscription (other than the condition in paragraph (c) above) is not fulfilled on or before 31 March 2016 or such other date as may be notified to the Subscriber by the Company from time to time or the condition in paragraph (c) above is not fulfilled or waived on or before Completion, the Subscription Agreement will cease and determine and all rights and obligations under the Subscription Agreement will be terminated save for any rights and obligations accrued before the termination.

As at the Latest Practicable Date, none of condition (a) nor condition (b) above have been fulfilled and condition (c) above has not been fulfilled nor waived.

Completion

Completion will take place on the third business day after the satisfaction of the last of the conditions (other than the condition in paragraph (c) above) (or such other date as may be notified to the Subscriber by the Company in writing).

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

Upon Completion, the gross proceeds from the Subscription will be approximately HK\$3,416,820,000 (equivalent to approximately RMB2,853,044,000) and will be settled as follows:

	<i>HK\$'000</i>	Equivalent to approximately <i>RMB'000</i>
(i) Capitalisation of the Loan and the estimated interest accrued as at the date of Completion (<i>Note</i>)	1,515,253	1,239,566
(ii) Proceeds to be settled by cash by the Subscriber	<u>1,901,567</u>	<u>1,613,478</u>
Total	<u><u>3,416,820</u></u>	<u><u>2,853,044</u></u>

Note: The Loan and the interest accrued would be capitalised as equity of the Company upon Completion.

Net proceeds from the Subscription, after deducting related expenses in connection with the Subscription which will be borne by the Company, are estimated to be approximately HK\$1,899,747,000 (equivalent to approximately RMB1,611,959,000), which would be used by the Company to finance investment in and development of photovoltaic power station projects and repayment of other borrowings as further detailed below. The net proceeds raised per Subscription Share, before the capitalisation of the Loan and the interest accrued, upon Completion are approximately HK\$0.6596.

Intended use of proceeds

As at the Latest Practicable Date, the cash and cash equivalents of the Group, as extracted from the unaudited management accounts of the Group, amounted to approximately RMB952.9 million.

LETTER FROM THE BOARD

The intended use of the net proceeds upon Completion are detailed as below:

	<i>RMB'000</i>	Status as at the Latest Practicable Date
(i) remaining balance to be paid in relation to the acquisition of a 30MW photovoltaic project in Weixian County of Hebei Province (details of which are disclosed in the announcement of the Company dated 9 October 2015) (the “ Weixian Project ”)	204,200 <i>(Note 1)</i>	Acquisition of the project is completed
(ii) remaining balance to be paid in relation to the acquisition of 44.587% equity interest in Zhongke (details of which are disclosed in the announcement of the Company dated 4 December 2015) (the “ Zhongke Project ”)	337,800 <i>(Note 1)</i>	Approvals in relation to the acquisition have been obtained from the Shareholders at the extraordinary general meeting held on 15 January 2016
(iii) repayment of other borrowings	800,000 <i>(Note 2)</i>	Trust loan to be fall due on 31 March 2016
(iv) partial payment to be paid in relation to the acquisition of a total of 150MW photovoltaic projects in Huzhou City of Zhejiang Province and Guixi City of Jiangxi Province (details of which are disclosed in the announcement of the Company dated 15 December 2015) (the “ Huzhou and Guixi Projects ”)	269,959 <i>(Note 1)</i>	Acquisition of the projects is completed
Total net proceeds intended to be used	<hr style="width: 100%;"/> 1,611,959 <hr style="width: 100%;"/>	

LETTER FROM THE BOARD

Notes:

1. The expected payments required for each quarter of the financial year ended 31 December 2016 of the above acquisitions are as follows:

	Expected Payment Date	Payment amount RMB'000	Major condition(s) to be fulfilled before payment to be made
a) The Weixian Project	1st Quarter 2016	50,850	– Project commenced power generation
			– Equity interest of the project company transferred to the Group
	2nd Quarter 2016	129,350	– Quality inspection certificate has been obtained in respect of the project
	4th Quarter 2016	24,000	– Retention money to be paid upon expiry of the warranty period
	Total	204,200	
b) The Zhongke Project	1st Quarter 2016	337,800	– All necessary consents and approvals have been obtained from the relevant government authorities in relation to the transfer of the 44.587% equity interest of the project
c) The Huzhou and Guixi Projects	1st Quarter 2016	269,959	– Projects commenced power generation
			– Equity interests of the project companies transferred to the Group

2. Please refer to the paragraph “Debt profile of the Group” below.

LETTER FROM THE BOARD

Cash and cash equivalents and total assets of the Group

As at the Latest Practicable Date, the cash and cash equivalents and total assets of the Group is as follows:

	Cash and cash equivalents <i>RMB'000</i>	Total Assets <i>RMB'000</i>
Balance as at 30 November 2015 (<i>Note 1</i>)	55,443	6,096,591
Major events during December 2015 and January 2016 and up to the Latest Practicable Date:		
Additional issue of corporate bonds	23,541	23,541
Loan from the Subscriber (<i>Note 2</i>)	1,226,850	1,226,850
	<i>(Note 3)</i>	<i>(Note 3)</i>
Other borrowings obtained (<i>Note 4</i>)	883,500	883,500
Investments in solar power plant projects, other prepayments and other operating cash outflows	(1,236,442)	–
Balance as at the Latest Practicable Date, before the Completion	952,892	8,230,482
Net proceeds from the Subscription	1,611,959	1,611,959
Adjusted balance as at the Completion	2,564,851	9,842,441
Cash and cash equivalents to total assets ratio	26.1%	

Notes:

- (1) Figures extracted from the unaudited management accounts of the Group;
- (2) Pursuant to the Loan Agreement, the Loan in the amount of HK\$1.5 billion (equivalent to RMB1,226,850,000) was drawn down in three tranches in the amounts of HK\$100 million, HK\$1,398 million and HK\$2 million on 4 December 2015, 11 December 2015 and 15 December 2015, respectively;
- (3) Upon Completion, the Loan will be capitalised pursuant to the Subscription Agreement. The accounting treatment of the capitalisation of the Loan will be to reclassify the Loan from the category "Non-current liabilities" to "Share capital" in the consolidated statement of financial position of the Group, and there would be no effect on the amounts of the cash and cash equivalents and total assets; and
- (4) This includes two unsecured borrowings from two independent third parties in the amounts of RMB800 million and RMB83,500,000 pursuant to the loan agreements dated 22 December 2015 and 14 December 2015, respectively.

The Directors (including the independent non-executive Directors after taking into account the advice given by the Independent Financial Adviser) consider that:

- (i) the Subscription will provide the Company with adequate funds to finance potential investment in and development of photovoltaic power station projects, which are capital intensive in nature and would enable the Company to seize various opportunities in the photovoltaic power sector in the PRC;
- (ii) the Subscription will strengthen the Company's capital base and financial position while reducing the level of gearing, saving potential finance costs and in turn enhancing the Company's market competitiveness;

LETTER FROM THE BOARD

- (iii) capitalisation of the Loan and interests accrued with the consideration of the Subscription (a) will convert the Loan, which has a term of three years, into equity of the Company; (b) will reduce the debt of the Company and hence strengthen the Company's capital base; (c) will reduce further interest burden on the Company in the amount of approximately HK\$87 million per annum; and (d) is commercially agreed between the Subscriber, which on one hand wished to increase its share holding in the Company, and the Company, which on the other hand wished to reduce the debts of the Company. In the initial discussions with the Subscriber, the Subscriber proposed to further invest in the Company in an amount of approximately HK\$1,916,820,000 in cash. Upon further discussions about the terms of the Subscription Agreement with the Company, the Company proposed that, as part of the transaction, the Subscriber would consider setting off the Loan (the interest payments of which costs the Group approximately HK\$87 million per annum), in which the Subscriber agreed to this proposal. As such, the consideration of the transaction was adjusted to the final agreed amount of HK\$3,416,820,000 taking into account the conversion of the Loan to equity, while the actual cash amount to be subscribed by the Subscriber remained at the original proposed amount of approximately HK\$1,916,820,000 (before the estimated interest accrued upon the Completion);
- (iv) as disclosed in the section headed "Debt profile of the Group" in this letter from the Board, the Group has a short term loan (the "**New Times Trust Loan**") in the amount of RMB800 million which will become due on 31 March 2016. The cash and cash equivalents of the Group at the Latest Practicable Date is RMB952.9 million. Upon repayment of the New Times Trust Loan, without the net proceeds from the Subscription, the Group will only have remaining cash and cash equivalents of RMB152.9 million. In view of the expected payment dates of the projects listed under note 1 to the sub-section "Intended use of proceeds" above, the current rising interest rate market environment, the other alternatives to obtain additional funding as explained in (v) below, the Subscription will allow the Group to meet the imminent funding needs of the Group, including the repayment of the New Times Trust Loan, and offers security and certainty to the actual payment needs of the Group for the coming financial year;
- (v) placing to an existing Shareholder is a more cost-efficient means to raise funds of this scale having considered other means of fund raising including but not limited to debt financing and rights issue. Given the current rising interest rate environment, debt financing or bank loans at the prevailing market borrowing rates would result in additional interest burden to, finance costs to and higher gearing ratio of the Group and subject the Group to repayment obligations. In relation to other equity fund raising, the recent trend in the trading price of Shares as explained in the paragraph "Trading performance of the Shares" above and the volatile equity market and continued bearish market sentiment, to ensure the pre-emptive offer will be attractive to existing Shareholders or potential investors, the Company will likely need to set the

LETTER FROM THE BOARD

issue price of Shares at a discount to the closing price of Shares on the date of the Subscription Agreement, instead of issuing Shares at a premium as currently contemplated by the Subscription Agreement, which would consequentially lead to the Company issuing more Shares to achieve the same fund-raising amount. In addition, additional administrative costs will be required in conducting pre-emptive issues (e.g. appointing an underwriter, dealing with nil-paid rights in a rights issues, the preparation of a circular (which will be required for fund raising of this size) and prospectus). A longer time period is generally required to conduct and complete pre-emptive issues, making pre-emptive issues a more expensive, time consuming and less favorable option as an alternative to issuing Shares to existing Shareholders. Given the scale of this fund raising activity, it is also difficult to identify a suitable independent third party in the current market environment;

- (vi) the terms of the Subscription Agreement and transactions contemplated thereunder (including the capitalisation of the Loan) are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

Debt Profile of the Group

As at the Latest Practicable Date, the debt profile of the Group is as follows:

Banks and other borrowings as at the Latest Practicable Date:

	Outstanding balance RMB'000
Short term borrowings:	
Trust loan	800,000
Borrowings related to finance lease arrangements	74,917
Mortgage loan	357
Bank overdraft	238
	875,512
Long term borrowings:	
Loan from the Subscriber	1,226,850
Borrowings related to finance lease arrangements	774,163
Corporate bonds payable	326,581
Other loans	83,500
Mortgage loan	1,443
	2,412,537
Total banks and other borrowings	3,288,049

LETTER FROM THE BOARD

Further details of the Group's short term banks and other borrowings as at the Latest Practicable Date are as follows:

Particulars	Lender	Outstanding amount <i>RMB'000</i>	Maturity date
Trust loan	New Times Trust Co., Ltd.* (新時代信託股份 有限公司)	800,000	31 March 2016
Borrowings related to finance lease arrangements	Guoyin Finance Leasing Company Ltd.* (國銀 金融租賃股份有限公司)	57,483	Current portion of amount repayable within one year related to the 10 years term finance lease arrangement
	Bank of Beijing Finance Leasing Company Ltd.* (北銀金融租賃有限公司)	11,140	Current portion of amount repayable within one year related to the 8 years term finance lease arrangement
	China Finance Leasing Company Ltd* (中國 金融租賃有限公司)	6,294	Current portion of amount repayable within one year related to the 9 years term finance lease arrangement
		----- 74,917 -----	
Mortgage loan	China CITIC Bank International Limited (中信銀行(國際)有限 公司)	357	Current portion of amount repayable within one year related to the 5 years term mortgage loan
Bank overdraft	China CITIC Bank International Limited (中信銀行(國際)有限 公司)	238	Repayable on demand
Total short term banks and other borrowings		875,512 =====	

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (a) immediately before Completion; and (b) immediately after Completion are as follows:

Shareholders	Immediately before Completion (Note 1)		Immediately after Completion (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Pohua JT Private Equity Fund				
L.P. and its associates	5,855,820,000	59.83	11,032,820,000	73.73
Public Shareholders	3,931,622,519	40.17	3,931,622,519	26.27
Total	<u>9,787,442,519</u>	<u>100.00</u>	<u>14,964,442,519</u>	<u>100.00</u>

Notes:

- The number of Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at the Latest Practicable Date.
- Figures calculated assuming no change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion.

FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

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

Date of announcement	Equity fund raising exercise	Net Proceeds HK\$	Intended use of proceeds	Projects	Actual use of proceeds	Amount RMB'000
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	Acquisition of a 20 MW project in Hejing County, Xinjiang Province (details of which are disclosed in the announcement of the Company dated 5 May 2015)		193,600
				Partial payment in relation to the acquisition of a 49.5MW project in Yong Deng County, Gansu Province (details of which are disclosed in the announcement of the Company dated 5 June 2015)		99,280
				Total		<u>292,880</u>

LETTER FROM THE BOARD

Date of announcement	Equity fund raising exercise	Net Proceeds HK\$	Intended use of proceeds	Actual use of proceeds	Amount RMB'000
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	Partial payment in relation to the acquisition of a 49.5MW project in Yong Deng County, Gansu Province (details of which are disclosed in the announcement of the Company dated 5 June 2015)	395,720
				Partial payments in relation to the acquisition of two 30 MW projects in Artux City, Xinjiang Province (details of which are disclosed in the announcement of the Company dated 2 October 2015)	507,300
				Investment in a 60MW self-developed solar power plant project in Dunhuang, Gansu Province	164,980
				Total	1,068,000

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 Latest Practicable Date.

PRINCIPAL ACTIVITIES OF THE GROUP

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants 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. As at the Latest Practicable Date, the Group holds various investments in photovoltaic power plants across the PRC.

LETTER FROM THE BOARD

INFORMATION ON THE SUBSCRIBER

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company which holds 5,855,820,000 Shares, representing approximately 59.83% of the issued share capital of the Company. The general partner of the Subscriber is Pohua JT Capital Partners Limited, which is ultimately held as to 15% by Mr. Zhang Fengwu (through his wholly-owned company, Fortune Financial Holdings (LP) Limited), 16% by Mr. Chang Tat Joel, a non-executive Director of the Company (through his wholly-owned companies, Infinity Gain Enterprises Limited and Cheer Full Management Limited), 49% by Ms. He Sensen (through her wholly-owned company, Golden Port Holdings Limited) and 20% by Mr. Li Haifeng (through his wholly-owned companies, Triumph Alliance Holdings Limited and JT Capital Investments Limited).

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company which holds 5,855,820,000 Shares, representing approximately 59.83% of the issued share capital of the Company. It is therefore a connected person of the Company. Accordingly, the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for the Subscriber, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than the Subscriber is required to abstain from voting for the resolution to approve the Subscription at the EGM.

In the meeting of the Board to approve the Subscription and transactions contemplated thereunder, Dr. Ma Ji and Mr. Chang Tat Joel are general partners of the Subscriber, they are considered to have a material interest in the Subscription and are required to abstain, and have abstained, from voting on the board resolution to approve the Subscription Agreement and transactions contemplated thereunder. Except for the above and that the independent non-executive Directors who would express their views after considering the advice from the Independent Financial Adviser, none of the Directors had a material interest in the Subscription Agreement and transactions contemplated thereunder and no Director was required to abstain from voting on the board resolution to approve the Subscription Agreement and transactions contemplated thereunder.

The Independent Financial Adviser was appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice of the EGM to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 2 February 2016 at 11 a.m., at which an ordinary resolution will be proposed to approve the Subscription Agreement and the transactions contemplated therein.

LETTER FROM THE BOARD

Shareholders and their associates with a material interest in the Subscription Agreement and transactions contemplated thereunder shall abstain from voting on the resolution approving same.

Whether or not you propose to attend the meeting, you are requested to read the notice of EGM and complete the accompanying form of proxy, which are enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 17th Floor, Hopewell Center 183 Queen's Road East Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS" above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 40 of this circular and the information set out in the appendix of this circular.

For illustration purposes, amounts in RMB in this circular have been translated into at HK\$1 = RMB0.835.

* *For identification purposes*

Yours faithfully,
For and on behalf of the Board
Kong Sun Holdings Limited
Liu Wen Ping
Executive Director



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

18 January 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
SUBSCRIPTION FOR NEW SHARES BY A CONNECTED PERSON**

We refer to the circular (the “Circular”) dated 18 January 2016 of the Company of which this letter forms a part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the grant of the Specific Mandate. Platinum Securities has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 20 to 40 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix of the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder; and the Specific Mandate are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Kong Sun Holdings Limited

Mr. Miu Hon Kit
*Independent
non-executive Director*

Mr. Wang Haisheng
*Independent
non-executive Director*

Mr. Lu Hongda
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

21/F, LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

18 January 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION SUBSCRIPTION FOR NEW SHARES BY A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription (the “**Transaction**”) contemplated under the Subscription Agreement. Details of the Transaction are contained in the Letter from the Board as set out in the circular of the Company dated 18 January 2016 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 5 January 2016, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price. The Subscription Shares represent (i) approximately 52.89% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Company will at the EGM seek approval of the Independent Shareholders for the Subscription Agreement and the transactions contemplated thereunder. The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for the Subscriber, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than the Subscriber is required to abstain from voting for the resolution to approve the Subscription at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transaction is in the ordinary and usual course of business of the Company, the terms of the Transaction were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Subscription Agreement; (ii) the audited annual report of the Group for the financial year ended 31 December 2014 (the “**2014 Annual Report**”); and (iii) the unaudited interim report of the Group for the six months ended 30 June 2015 (the “**2015 Interim Report**”).

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on the same, are true, complete and accurate in all material respects as of the date hereof and we have relied on the same and the Independent Shareholders will be notified of any material changes as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Circular, for which the Directors 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 the 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 in the Circular or the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, signed the opinion letter from the independent financial adviser contained in the Company's circular dated 11 July 2014 in respect of subscription of new shares and application for whitewash waiver. The past engagement was limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagement, Platinum Securities Company Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda, has been established to advise the Independent Shareholders as to whether the terms of the Transaction were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transaction is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Subscription

1.1 Information on the Company

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants and investment in photovoltaic (“PV”) 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 PV power plants across the PRC. As at the Latest Practicable Date, the Group holds various investments in photovoltaic power plants across the PRC. Tabularised below is a summary of the financial performance of the Group as extracted from the 2014 Annual Report and the 2015 Interim Report.

Consolidated Income Statement	For the financial year ended 31 December 2013 <i>(RMB'000)</i> <i>(audited)</i>	For the financial year ended 31 December 2014 <i>(RMB'000)</i> <i>(audited)</i>	For the six months ended 30 June 2015 <i>(RMB'000)</i> <i>(unaudited)</i>
Revenue	7,364	524,283	413,954
Gross profit	1,510	49,153	73,311
Profit/(loss) for the year/period	(6,212)	11,667	3,222

From the table above, we noted that the Group’s revenue increased substantially by approximately 71.2 times from approximately RMB7.4 million for the financial year ended 31 December 2013 (“FY2013”) to approximately RMB524.3 million for the financial year ended 31 December 2014 (“FY2014”), and recorded a revenue of approximately RMB414.0 million for the six months ended 30 June 2015 (“1H2015”). According to the 2014 Annual Report, such increase was primarily due to increase in revenue from the sales of electricity (including tariff adjustment) and increase in sales of solar energy related products. The Group had the first time generated revenue from sales of electricity in the second half of 2014 from its PV power plants. For FY2014, the Group recorded a total amount of approximately RMB9.5 million from the sales of electricity (includes tariff adjustment). In addition, the Group had gained revenue of approximately RMB508.3 million from the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

sales of solar energy related products for FY2014. The gross profit of the Group increased by 32.6 times from approximately RMB1.5 million for FY2013 to RMB49.2 million for FY2014, mainly due to the increase in revenue from sales of electricity and sales of solar energy related products.

1.2 Information on the Subscriber

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company which holds 5,855,820,000 Shares, representing approximately 59.83% of the issued share capital of the Company. The general partner of the Subscriber is Pohua JT Capital Partners Limited, which is ultimately held as to 15% by Mr. Zhang Fengwu (through his wholly-owned company, Fortune Financial Holdings (LP) Limited), 16% by Mr. Chang Tat Joel, a non-executive Director of the Company (through his wholly-owned companies, Infinity Gain Enterprises Limited and Cheer Full Management Limited), 49% by Ms. He Sensen (through her wholly-owned company, Golden Port Holdings Limited) and 20% by Mr. Li Haifeng (through his wholly-owned companies, Triumph Alliance Holdings Limited and JT Capital Investments Limited).

According to the circular of the Company dated 11 July 2014, the Subscriber 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. It had assets under its management of approximately US\$600 million.

2. Reasons for and benefits of the Subscription and use of the proceeds

As set out in the Letter from the Board in the Circular, the gross proceeds from the Subscription of approximately HK\$3,416,820,000 (equivalent to approximately RMB2,853,044,000) will be settled as follows:

	<i>HK\$'000</i>	Equivalent to approximately <i>RMB'000</i>
(i) Capitalisation of the Loan and the estimated interest accrued as at the date of Completion (<i>Note</i>)	1,515,253	1,239,566
(ii) Proceeds to be settled by cash by the Subscriber	1,901,567	1,613,478
Total	<u>3,416,820</u>	<u>2,853,044</u>

Note: The Loan and the interest accrued would be capitalised as equity of the Company upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net proceeds from the Subscription, after deducting related expenses in connection with the Subscription which will be borne by the Company, are estimated to be approximately HK\$1,899,747,000 (equivalent to approximately RMB1,611,959,000), which would be used by the Company to finance investment in and development of photovoltaic power station projects and repayment of other borrowings as further detailed below. The net proceeds raised per Subscription Share, before the capitalisation of the Loan and the interest accrued, upon Completion are approximately HK\$0.6596.

We note from the Company that the Subscriber initially proposed to further invest in the Company in an amount of approximately HK\$1,916,820,000 in cash. Whereas, regarding the Loan to be settled in late 2018, the Company had an discussion with the Subscriber after an arm length negotiation, the Subscriber agreed to the proposal on the Loan capitalization that Company intend to set off the Loan which will accrue approximately HK\$87 million interests per annum. As such, the consideration of the transaction was adjusted to the final agreed amount of HK\$3,416,820,000 taking into account the conversion of the Loan to equity, while the actual cash payment by the Subscriber remained at the original proposed amount of approximately HK\$1,916,820,000. The Company considered the capitalisation of the Loan and interests accrued with the consideration of the Subscription will (a) convert the Loan, which has a term of three years, into equity of the Company; (b) reduce the debt of the Company and hence strengthen the Company's capital base; (c) reduce further interest burden on the Company in the amount of approximately HK\$87 million per annum; and (d) the set-off is commercially agreed between the Subscriber, which on one hand wished to increase its share holding in the Company, and the Company, which on the other hand needs funding for the various uses.

The finance costs of the Group for FY2014 and 1H 2015 was RMB7,694,000 and RMB19,813,000, respectively, according to the 2014 Annual Report and 2015 Interim Report. Considering the accrued annual interest of approximately HK\$87 million, it would impose a significantly negative effect on the Group's financial performance as well as increase the interest burden for the Group. Based on that, we concur with the management of the Company that the capitalisation of the Loan will apparently reduce the debt burden and strengthen the capital base of the Company, which we think that it will be more positive for the Company's future business development and in the interest of the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to the net proceeds from the Subscription, the intended use of the net proceeds upon completion are detailed as below:

	<i>RMB'000</i>	Status as at the Latest Practicable Date
(i) remaining balance to be paid in relation to the acquisition of a 30MW photovoltaic project in Weixian County of Hebei Province (details of which are disclosed in the announcement of the Company dated 9 October 2015) (the " Weixian Project ")	204,200 <i>(Note 1)</i>	Acquisition of the project is completed
(ii) remaining balance to be paid in relation to the acquisition of 44.587% equity interest in Zhongke (details of which are disclosed in the announcement of the Company dated 4 December 2015) (the " Zhongke Project ")	337,800 <i>(Note 1)</i>	Approvals in relation to the acquisition have been obtained from the Shareholders at the extraordinary general meeting held on 15 January 2016
(iii) repayment of other borrowings	800,000	Trust loan to be fall due on 31 March 2016

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Status as at the Latest
Practicable Date**

RMB'000

(iv) partial payment to be paid in relation to the acquisition of a total of 150MW photovoltaic projects in Huzhou City of Zhejiang Province and Guixi City of Jiangxi Province (details of which are disclosed in the announcement of the Company dated 15 December 2015) (the “ Huzhou and Guixi Projects ”)	269,959 (<i>Note 1</i>)	Acquisition of the projects is completed
Total net proceeds intended to be used	1,611,959	

Notes:

1. The expected payments required for each quarter of the financial year ended 31 December 2016 of the above acquisitions are as follows:

	Expected Payment Date	Payment amount <i>RMB'000</i>	Major condition(s) to be fulfilled before payment to be made
a) The Weixian Project	1st Quarter 2016	50,850	– Project commenced power generation – Equity interest of the project company transferred to the Group
	2nd Quarter 2016	129,350	– Quality inspection certificate has been obtained in respect of the project
	4th Quarter 2016	24,000	– Retention money to be paid upon expiry of the warranty period
	Total	204,200	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Expected Payment Date	Payment amount <i>RMB'000</i>	Major condition(s) to be fulfilled before payment to be made
b) The Zhongke Project	1st Quarter 2016	337,800	– All necessary consents and approvals have been obtained from the relevant government authorities in relation to the transfer of the 44.587% equity interest of the project.
c) The Huzhou and Guixi Projects	1st Quarter 2016	269,959	– Projects commenced power generation – Equity interests of the project companies transferred to the Group

We have reviewed the announcements of the Company dated 9 October 2015, 4 December 2015 and 15 December 2015, in relation to the Weixian Project, the Zhongke Project and the Huzhou and Guixi Projects (collectively, the “**Ongoing Projects**”), respectively, and discussed with the management of the Company for the progress of each of the Ongoing Projects and understand that each of the Ongoing Projects is at its respective stage as stated in the table above. The intended use of the net proceeds of the Subscription represents the remaining balances of the Weixian Project and the Zhongke Project and partial payment for the consideration of the Huzhou and Guixi Projects. We have also obtained and reviewed the expected payment schedule of each of the Ongoing Projects and consider that these expected payment schedules are based on reasonable assumptions. Therefore, we are of the view that the allocation of net proceeds of the Subscription is fair and reasonable.

According to the 2014 Annual Report, the Group began its transformation and diversified its revenue source by venturing into the solar PV power generation industry and positioning itself as an investor and operator of PV power projects. Over the past two years, the Company has had three fund raising exercises (the “**Fund Raising Exercises**”) since its business transformation in 2014. The Company raised total net proceeds of approximately HK\$4,039.2 million from the Fund Raising Exercises which in relation to a) the first fund raising exercise completed in August 2014 in which net proceeds of approximately HK\$2,338.1 million was raised from subscription of new Shares by the Subscriber; b) the second fund raising exercise completed in April 2015 in which net proceeds of approximately HK\$366.1 million was raised from placing of new shares to the placees; and c) the third fund raising exercise completed in June 2015 in which net proceeds of approximately HK\$1,335.0 million was raised from placing of new shares to the placees. After discussing with the management of the Company, we note that the net proceeds raised from the Fund Raising Exercises were fully utilized for, among others, funding for its investment in and development of PV power projects as at the Latest Practicable Date. The Company is of the view that equity financing is the most imminent priority of the Company in order to achieve successful business transformation of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the 2015 Interim Report, concerning the capacity of the Group's PV power plants, the Group had ground mounted PV power plants completed and ground mounted PV power plants under development of 219.5MW and 500MW respectively. We also understand from the discussion with the management of the Company that the capacity of the Group's completed PV power plants has been further increased to 599.5MW as at the Latest Practicable Date. We have also reviewed a schedule on the planned capital expenditure of the Group for 2016 and 2017 prepared by the management of the Company. We note that the planned capital expenditure mainly includes construction cost of solar power plants and acquisition of additional property, plant and equipment, which will be primarily financed by the net proceeds from the Subscription and new borrowings. We have discussed with the management of the Company of the schedule on the planned capital expenditure, compared the amount of the planned capital expenditure with the historical annual capital expenditure of the Group and the capital expenditure of Group's precedent projects in solar power plants (which usually require substantial capital needs in the early stage of a project) and considered that the schedule is of reasonable basis.

As the leader of the global solar PV market, PRC has the most advanced solar technology. Answering the call to combat pollution, the Group is confident about the prospect of such investments on photovoltaic projects and their potential for creating a significant growth in business in the coming decades. The PRC government had reiterated its support to the clean energy sector under the "Twelfth Five-year Plan". This will further benefit the Group's development.

We have enquired the management of the Company and noted that the Directors have considered and assessed other fund raising alternatives to the Group. For the debt financing, we note that banks and other borrowings of the Group amounted to approximately RMB3.3 billion as at the Latest Practicable Date, which represents an increase of approximately 219% as compared to banks and other borrowings of the Group as at 30 June 2015. Therefore, we concur with the management of the Company that further debt financing will result in additional interest burden to, finance costs to and higher gearing ratio of the Group and subject the Group to repayment obligations. For the other equity financing, such as pre-emptive issues or placing to independent third parties, considering the recent trend of the Share price (dropped from HK\$1.15 to approximately HK\$0.7 during July and August 2015 and further dropped to approximately HK\$0.6 in January 2016, as discussed in the section headed "Review on historical price movement of the Shares") and the overall sentiment of the stock market in Hong Kong (HSI dropped from approximately 26,000 points in early July 2015 to approximately 20,000 points in January 2016), we agree with the Directors that the Company may need to set the issue price of Shares at a discount to the closing price of Shares to attract existing Shareholders or potential investors, as compared to issuing Shares at a premium as currently contemplated by the Subscription Agreement. Moreover, additional administrative costs will be required in conducting pre-emptive issues (e.g. appointing an underwriter, dealing with nil-paid rights in rights issues, the preparation of a circular (which will be required for fund raising of this size) and prospectus). A longer time period is generally required to conduct and complete pre-emptive issues, making pre-emptive issues more expensive and time consuming. It is also difficult to identify a suitable independent third party in the current market environment. In light of the above, we are of the view that the Subscription is the preferred means of fund raising for the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date , the cash and cash equivalents and total assets of the Group is as follows:

	Cash and cash equivalents <i>RMB'000</i>	Total Assets <i>RMB'000</i>
Balance as at 30 November 2015 (<i>Note 1</i>)	55,443	6,096,591
Major events during December 2015 and January 2016 and up to the Latest Practicable Date:		
Additional issue of corporate bonds	23,541	23,541
Loan from the Subscriber (<i>Note 2</i>)	1,226,850	1,226,850
	<i>(Note 3)</i>	<i>(Note 3)</i>
Other borrowings obtained (<i>Note 4</i>)	883,500	883,500
Investments in solar power plant projects, other prepayments and other operating cash outflows	(1,236,442)	–
Balance as at the Latest Practicable Date, before the Completion	952,892	8,230,482
Net proceeds from the Subscription	1,611,959	1,611,959
Adjusted balance as at the Completion	2,564,851	9,842,441
Cash and cash equivalents to total assets ratio	26.1%	

Notes:

- (1) Figures extracted from the unaudited management accounts of the Group;
- (2) Pursuant to the Loan Agreement, the Loan in the amount of HK\$1.5 billion (equivalent to RMB1,226,850,000) was drawn down in three tranches in the amounts of HK\$100 million, HK\$1,398 million and HK\$2 million on 4 December 2015, 11 December 2015 and 15 December 2015, respectively;
- (3) Upon Completion, the Loan will be capitalised pursuant to the Subscription Agreement. The accounting treatment of the capitalisation of the Loan will be to reclassify the Loan from the category "Non-current liabilities" to "Share capital" in the consolidated statement of financial position of the Group, and there would be no effect on the amounts of the cash and cash equivalents and total assets; and
- (4) This includes two unsecured borrowings from two independent third parties in the amounts of RMB800 million and RMB83,500,000 pursuant to the loan agreements dated 22 December 2015 and 14 December 2015, respectively.

As at the Latest Practicable Date, the cash and cash equivalents of the Group, as extracted from the unaudited management accounts of the Group, amounted to approximately RMB952.9 million. According to the management of the Company, the net proceeds of RMB1,611,959,000 from the Subscription will be fully utilized as discussed above. According to the 2015 Interim Report, the Company's cash and cash equivalents stood at RMB1,154,061,000 and total assets amounted to RMB5,495,113,000 (cash and cash equivalent to total assets ratio: 21.0%) as at 30 June 2015, where the cash and cash equivalent to total assets ratio will reach 26.1% upon Completion. Given that the cash and cash equivalent to total assets ratio will only increase slightly by approximately 5% upon Completion compared with that as at 30 June 2015, we are of the view that the Subscription will not have a material impact on the cash and cash equivalent to total assets ratio.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into the account that (i) the business transformation and business strategy of the Company as well as the future prospect of the industry and support from PRC government as discussed above; (ii) the positive financial performance of the Company after venturing into the solar PV power generation industry; (iii) the intended use of proceeds and the reasons for and benefits of the Subscription discussed; (iv) placing to existing Shareholder is a preferred means than other alternatives; and (v) the Subscription will provide the Company with adequate funds to finance potential investments, we are of the view that the Subscription provides funding for the investments required to continue expanding and developing Company's photovoltaic business and at the same time enlarging the Company's capital, which we consider is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

Date : 5 January 2016

Parties : (a) the Company; and
(b) the Subscriber.

The Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

The Subscription Shares represent (i) approximately 52.89% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (a) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (b) the approval by the Independent Shareholders of the entering into of the Subscription Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules; and
- (c) the warranties given by the Subscriber under the Subscription Agreement remaining true and accurate, not misleading and there is no material omission.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company may waive the condition in paragraph (c) above in whole or in part. In the event that any of the conditions of the Subscription (other than the condition in paragraph (c) above) is not fulfilled on or before 31 March 2016 or such other date as may be notified to the Subscriber by the Company from time to time or the condition in paragraph (c) above is not fulfilled or waived on or before Completion, the Subscription Agreement will cease and determine and all rights and obligations under the Subscription Agreement will be terminated save for any rights and obligations accrued before the termination.

Completion

Completion will take place on the third business day after the satisfaction of the last of the conditions (other than the condition in paragraph (c) above) (or such other date as may be notified to the Subscriber by the Company in writing).

4. Subscription Price

The Subscription Price is HK\$0.66 per Subscription Share. The Subscription Price represents a premium of approximately 6.45% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange as at 5 January 2016, being the date of the Subscription Agreement.

The Subscription Price represents:

- (a) a premium of approximately 6.45% over the closing price of the Shares of HK\$0.62 per Share as quoted on the Stock Exchange as at 5 January 2016, being the date of the Subscription Agreement;
- (b) a premium of approximately 3.45% over the average closing prices of the Shares of HK\$0.638 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 5 January 2016;
- (c) a premium of approximately 3.94% over the average closing prices of the Shares of HK\$0.635 per as quoted on the Stock Exchange for the last 10 trading days up to and including 5 January 2016;
- (d) a premium of approximately 10.0% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 156.8% over the audited net asset value per Share of approximately HK\$0.257 per Share as at 31 December 2014, being the date of the latest annual results, without taking into account the Subscription.

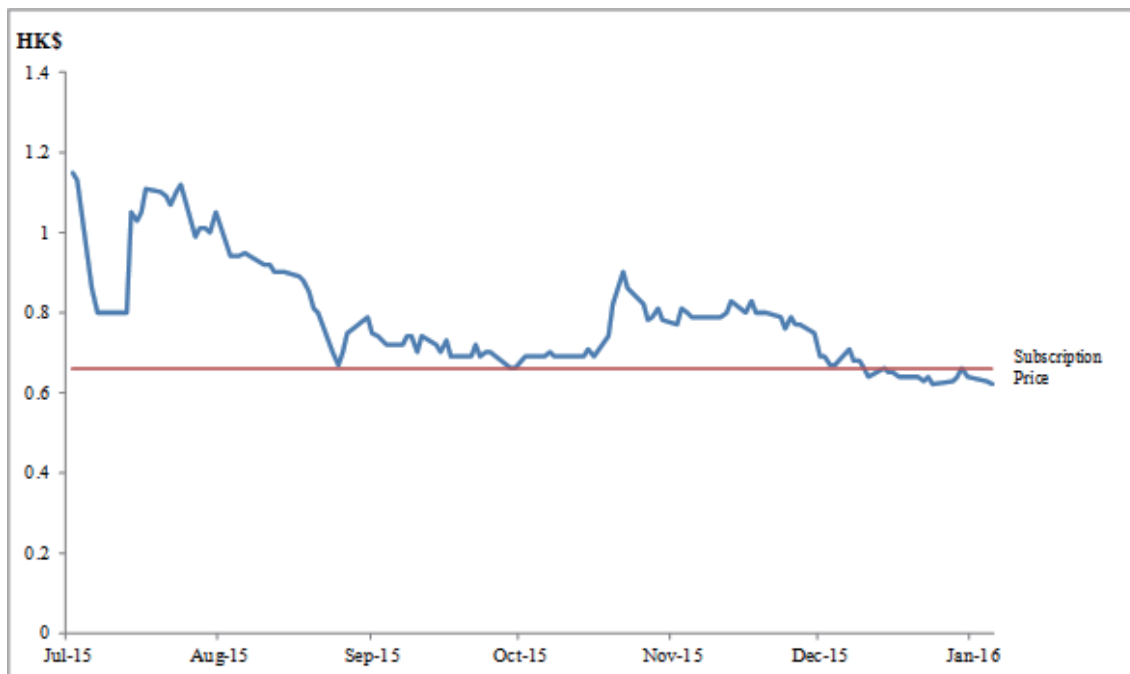
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares and the business prospects of the Group. The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Advisor) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4.1 Review on historical price movement of the Shares

The following exhibit shows the historical price movement of the Shares from 1 July 2015 (being approximately 6 months prior to the date of the Subscription Agreement) up to the date of the Subscription Agreement (the "Review Period").

Exhibit 1: historical price movement of the Shares during the Review Period



Source: Stock Exchange

We note that the closing price of the Shares was traded between HK\$0.62 and HK\$1.15, with an average closing price of approximately HK\$0.79 during the Review Period. The Subscription Price of HK\$0.66 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and represented a premium of approximately 6.45% over the lowest closing price of HK\$0.62 recorded on 24 December 2015 and 5 January 2016, and a discount of approximately 42.61% to the highest closing price of HK\$1.15 recorded on 2 July 2015. We observed that the share price of the Company dropped from HK\$1.15 to approximately HK\$0.7 during July and August 2015 as the general stock market in Hong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Kong tumbled during such period. Recently, the Shares were generally traded below the Subscription Price in December 2015 and the first two trading days in 2016.

4.2 *Comparable Transactions analysis*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed transactions announced by companies listed on the Main Board of the Stock Exchange involving the issuance of new ordinary shares to connected person(s) under a specific mandate but excluding transactions involving the issuance of shares which cannot be ordinarily traded on the Stock Exchange and transactions involving reverse takeover cases (the “**Comparable Transactions**”) during the three months immediately prior to the date of the Subscription Agreement. We consider these selection criteria as reasonable since the Subscription involves the subscription of ordinary Shares and it is not a reverse takeover case.

The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

As the Comparable Transactions involve the issuance of new ordinary shares to connected person(s), we believe these Comparable Transactions would provide a benchmarking comparison for our analysis as factors taken into account in determining the subscription price of new ordinary shares issued under such transactions provide an indication of the premium over/discount to the market price of the relevant shares. The three months period is a reasonable basis for our analysis because the Hang Seng Index (“**HSI**”) fluctuated between 21,189 points and 23,152 points during such period, representing a fluctuation of approximately 9% and therefore, in the absence of major market dislocations, we consider that transactions occurred during such period could provide relevant samples of the Comparable Transactions for the purpose of our analysis and are comparable to the Subscription.

We note that the companies involved in the Comparable Transactions are not engaged in the same principal business of the Company and they are of different market capitalizations, the transactions involved are of different nature and size, and the terms of issuance of new ordinary shares of each of the transactions may be subject to their respective circumstances such as different financial standing or business performance. However, since the Comparable Transactions were transacted at a time close to the date of the Subscription Agreement under similar market conditions, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Subscription Price, nevertheless can provide a general reference basis to the Independent Shareholders as they can reflect recent market trends of the terms used in issuing shares as full or partial settlement of consideration. As such we consider that the Comparable Transactions are fair and representative samples.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 1: Comparable Transactions analysis

Date of Announcement	Company Name	Ticker	Premium/(discount) of the issue price over/(to) the average closing price of		
			Last trading day prior to/on the date of the relevant announcement	Last 5 consecutive trading days prior to/on the date of the relevant announcement	Last 10 consecutive trading days prior to/on the date of the relevant announcement
07-Oct-15	Huajun Holdings Limited	377 HK	25.00%	25.84%	26.26%
13-Oct-15	Fullshare Holdings Limited	607 HK	(19.42%)	(20.46%)	(20.29%)
13-Oct-15	COL Capital Limited	383 HK	(17.53%)	(17.18%)	(16.67%)
26-Oct-15	Chinasoft International Limited	354 HK	(14.11%)	(15.41%)	(15.41%)
26-Oct-15	Tesson Holdings Limited	1201 HK	(27.27%)	(16.32%)	(8.36%)
30-Oct-15	Forebase International Holdings Limited	2310 HK	0.49%	0.10%	(0.83%)
02-Nov-15	Vinda International Holdings Limited	3331 HK	3.98%	0.53%	0.11%
02-Nov-15	Redco Properties Group Limited	1622 HK	(16.10%)	(16.10%)	(17.81%)
05-Nov-15	Harmonic Strait Financial Holdings Limited	33 HK	(28.57%)	(28.06%)	(28.06%)
06-Nov-15	King Stone Energy Group Limited	663 HK	(15.10%)	(17.60%)	(20.75%)
06-Nov-15	KuangChi Science Limited	439 HK	(29.70%)	(25.16%)	(19.44%)
06-Nov-15	Bloomage BioTechnology Corporation Limited	963 HK	(20.63%)	(14.29%)	(14.29%)
17-Nov-15	Richly Field China Development Limited	313 HK	0.00%	0.81%	0.30%
24-Nov-15	Petro-king Oilfield Services Limited	2178 HK	14.50%	11.00%	12.20%
26-Nov-15	Capital Environment Holdings Limited	3989 HK	(9.09%)	(2.91%)	(1.96%)
03-Dec-15	Landsea Green Properties Co., Ltd.	106 HK	(0.28%)	1.70%	1.56%
04-Dec-15	Yuhua Energy Holdings Limited	2728 HK	0.00%	(2.15%)	(2.44%)
09-Dec-15	Beijing Enterprises Water Group Limited	371 HK	3.10%	3.60%	1.80%
14-Dec-15	Optics Valley Union Holding Company Limited	798 HK	(15.80%)	(13.00%)	(14.90%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Company Name	Ticker	Premium/(discount) of the issue price over/(to) the average closing price of		
			Last trading day prior to/on the date of the relevant announcement	Last 5 consecutive trading days prior to/on the date of the relevant announcement	Last 10 consecutive trading days prior to/on the date of the relevant announcement
15-Dec-15	Zhongtian International Limited	2379 HK	8.00%	8.35%	4.41%
21-Dec-15	China Public Procurement Limited	1094 HK	0.00%	12.35%	24.42%
23-Dec-15	Enviro Energy International Holdings Limited	1102 HK	16.67%	17.98%	18.64%
		Maximum	25.00%	25.84%	26.26%
		Minimum	(29.70%)	(28.06%)	(28.06%)
		Average	(6.45%)	(4.84%)	(4.16%)
		Subscription Price	6.45%	3.45%	3.94%

As illustrated in Table 1, the issue prices of the Comparable Transactions ranged from a discount of approximately 29.70% to a premium of approximately 25.00% to/over the closing price of last trading day (the “**Market Range I**”) with an average discount of approximately 6.45% (the “**Market Average I**”), from a discount of approximately 28.06% to a premium of approximately 25.84% to/over the average closing price of the last 5 trading days immediately preceding the date of agreement (the “**Market Range II**”) with an average discount of approximately 4.84% (the “**Market Average II**”) and from a discount of approximately 28.06% to a premium of approximately 26.26% to/over the average closing price of the last 10 trading days immediately preceding the date of agreement (the “**Market Range III**”) with an average discount of approximately 4.16% (the “**Market Average III**”).

We note that the Subscription Price represents a premium of approximately 6.45% over the closing price of the Shares as at the date of the Subscription Agreement (the “**Subscription Price Premium I**”), a premium of approximately 3.45% over the average closing price of the Shares for the last 5 trading days up to and including the date of the Subscription Agreement (the “**Subscription Price Premium II**”), and a premium of approximately 3.94% over the average closing price of the Shares for the last 10 trading days up to and including the date of the Subscription Agreement (the “**Subscription Price Premium III**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that each of the Subscription Price premium I, the Subscription Price premium II and the Subscription Price premium III is more favourable than each of the Market Average I, the Market Average II and the Market Average III, respectively, we are of the view that the Subscription Price is fair and reasonable to the Independent Shareholders based on the Comparable Transactions analysis.

5. Dilution effect on the shareholding interests of the existing public Shareholders

The shareholding structure of the Company (a) immediately before Completion; and (b) immediately after Completion are as follows:

Table 2: potential shareholding dilution effect of the Transaction

Shareholder	Immediately before Completion (Note 1)		Immediately after Completion (Note 2)	
	<i>Approximate Number of Shares</i>	<i>Approximate %</i>	<i>Approximate Number of Shares</i>	<i>Approximate %</i>
Pohua JT Private Equity Fund L.P. and its associates	5,855,820,000	59.83	11,032,820,000	73.73
Public Shareholders	3,931,622,519	40.17	3,931,622,519	26.27
Total	9,787,442,519	100.00	14,964,442,519	100.00

Notes:

- (1) The number of Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at the Latest Practicable Date.
- (2) Figures calculated assuming no change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion.

As indicated in Table 2, the shareholding of public Shareholders will decrease from approximately 40.17% as at the Latest Practicable Date to approximately 26.27% immediately upon allotment and issue of the Subscription Shares. Such potential dilution to the shareholdings of public Shareholders represents a dilution by absolute percentage amount of approximately 13.90% and a dilution by relative percentage of approximately 34.60%.

Taking into account that:

- (i) it is in the interests of the Company and the Shareholders to enter into the Transaction; and
- (ii) the Subscription Price is fair and reasonable to the Company and Shareholders as a whole,

we consider the potential dilution effect on the shareholding interests of the public Shareholders to be justifiable.

6. Financial effects of the Transaction

6.1 Effect on net asset value ("NAV")

As disclosed in the 2015 Interim Report, the NAV attributable to the Shareholders as at 30 June 2015 was approximately RMB3,489 million. Upon Completion, the Subscription would enlarge the asset base by reducing the Loan outstanding and additional cash.

As such, we consider that the Transaction will have a positive impact on the NAV of the Group.

6.2 Effect on earnings

As disclosed in the 2014 Annual Report, net profit of the Group for FY2014 was approximately RMB11.7 million. Except for the expenses relating to the Subscription, it is expected that the completion of the Subscription will not have any immediate material impact on the earnings of the Company. Since the amount of the Subscription will be settled by way of setting off against the Loan outstanding, we consider that the interest expense of the Group will be reduced accordingly.

Therefore, we are of the view that the Transaction will have a positive impact on the earnings of the Group.

6.3 Effect on gearing

According to the 2015 Interim Report, the gearing level of the Group (calculated by loans and borrowings divided by total equity) was approximately 19% as at 30 June 2015. Assuming the Subscription were completed at 30 June 2015 and the net proceeds from the Subscription were not used to repay loans and borrowing (repayment of the loans and borrowings would further reduce the gearing level), the gearing ratio would be reduced to approximately 13%.

As such, we consider that the Transaction will have a positive impact on the gearing of the Group.

6.4 Effect on cash/working capital

As disclosed in the 2015 Interim Report, the Group had current assets of approximately RMB2,950 million including cash and cash equivalent of approximately RMB1,154 million and current liabilities of approximately RMB1,471 million. We are of the view that part of the net proceeds which is to be settled by cash will strengthen the cash and working capital position of the Group before the Company utilises them for future business development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As such, we are of the view that the Transaction will have a positive impact on the cash/working capital of the Group.

In light of:

- (a) the positive impact on the NAV of the Group;
- (b) the positive impact on the earnings of the Group;
- (c) the positive impact on the gearing of the Group; and
- (d) the positive impact on the cash/working capital of the Group,

we are of the view that the Transaction will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular,

- (i) financial performance of the Company has been improving due to the revenue from sales of electricity and sales of solar energy related products since the Company's business transformation;
- (ii) promising prospects and rapid developments of the photovoltaic power industry in China;
- (iii) although the Transaction is not in the ordinary and usual course of business of the Company, it provides the Company with immediate financial resources for business development which is in the interests of the Company and the Shareholders as a whole;
- (iv) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and
- (v) the Transaction will have a positive financial effect on the Group and is in the interests of the Company and the Independent Shareholders as a whole,

we are of the view that the Transaction is entered into on normal commercial terms, the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolution in relation to the Transaction to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Li Lan
Director and Co-Head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over nine years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

Interests in underlying Shares

Name of Director	Nature of interest	Date of share options granted (Note 1)	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of shareholding upon fully exercise of share options as at the Latest Practicable Date
Liu Wen Ping	Beneficial owner	8 October 2014	60,000,000	0.61%
Chang Hoi Nam	Beneficial owner	8 October 2014	2,000,000	0.02%
Ma Ji	Beneficial owner	18 June 2015	4,000,000	0.04%
Chang Tat Joel	Beneficial owner	11 November 2014	2,000,000	0.02%
Miu Hon Kit	Beneficial owner	8 October 2014	1,000,000	0.01%
Wang Haisheng	Beneficial owner	8 October 2014	1,000,000	0.01%
Lu Hongda	Beneficial owner	11 November 2014	1,000,000	0.01%

Note 1:

The share options were granted pursuant to the share option scheme (the “**Share Option Scheme**”) adopted by the Company pursuant to a shareholders’ resolution of the Company passed on 22 July 2009. The periods and the manner in which the granted share options could be exercised under the Share Option Scheme are as follows:

Exercise period	Number of options exercisable
from 1st anniversary of the date of grant to 2nd anniversary of the date of grant	Up to 25% of the total number of granted options
from 2nd anniversary of the date of grant to 3rd anniversary of the date of grant	Up to 25% of the total number of granted options
from 3rd anniversary of the date of grant to 4th anniversary of the date of grant	Up to 25% of the total number of granted options
from 4th anniversary of the date of grant to 5th anniversary of the date of grant	Up to 25% of the total number of granted options

As at the Latest Practicable Date, save as disclosed above, none of the Directors and the chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders’ Interest

As at the Latest Practicable Date, so far as is known to any Directors or the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were

directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Nature of interest	Number of Shares or underlying Shares held	Percentage of Shareholding ⁽³⁾
Golden Port Holdings Limited	Deemed interest in controlled corporation ⁽¹⁾	5,855,820,000	59.83%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation ⁽¹⁾	5,855,820,000	59.83%
Pohua JT Private Equity Fund L.P.	Beneficial owner ⁽¹⁾	5,855,820,000	59.83%
Zhejiang Province Finance Development Company* 浙江省財務開發公司	Deemed interest in controlled corporation ⁽²⁾	1,125,000,000	11.49%
Zhejiang Province Financial Holding Company Limited* 浙江省金融控股公司	Deemed interest in controlled corporation ⁽²⁾	1,125,000,000	11.49%
Caitong Securities Co., Limited	Deemed interest in controlled corporation ⁽²⁾	1,125,000,000	11.49%
Caitong Securities (Hong Kong) Co., Limited	Deemed interest in controlled corporation ⁽²⁾	1,125,000,000	11.49%
Caitong International Asset Management Co., Limited	Deemed interest in controlled corporation ⁽²⁾	1,125,000,000	11.49%
Caitong International Capital Management Limited	Beneficial owner ⁽²⁾	1,125,000,000	11.49%

* The English translation of these companies' names is for reference only. The official names of these companies are in Chinese.

Notes:

- (1) Pohua JT Capital Partners Limited is the general partner of Pohua JT Private Equity Fund L.P. Pohua JT Capital Partners Limited is owned as to 49% by Golden Port Holdings Limited. Accordingly, each of Golden Port Holdings Limited and Pohua JT Capital Partners Limited is deemed to be interested in an aggregate of 5,855,820,000 shares held by Pohua JT Private Equity Fund L.P. Upon Completion, 5,177,000,000 new Shares will be issued to the Subscriber (i.e. Pohua JT Private Equity Fund L.P.) pursuant to the Subscription Agreement.

- (2) Caitong International Capital Management Limited is wholly-owned by Caitong International Asset Management Co., Limited which in turn is wholly-owned by Caitong Securities (Hong Kong) Co., Limited. Caitong Securities Co., Limited owned 100% equity interests of Caitong Securities (Hong Kong) Co., Limited, which in turn is owned as to 36.6% by Zhejiang Province Financial Holding Company Limited. Zhejiang Province Financial Holding Company Limited is wholly-owned by Zhejiang Province Finance Development Company. Accordingly, each of Zhejiang Province Finance Development Company, Zhejiang Province Financial Holding Company Limited, Caitong Securities Co., Limited, Caitong Securities (Hong Kong) Co., Limited and Caitong International Asset Management Co., Limited is deemed to be interested in an aggregate of 1,125,000,000 shares held by Caitong International Capital Management Limited.
- (3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or the chief executive of the Company, no other person (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors nor their respective close associates is and was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, no Director and/or his respective close associates had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion contained in this circular:

Name	Qualification
Platinum Securities	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Platinum Securities had (i) no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection during normal business hours on any weekday (except for public holidays) at Unit 3601, 36/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM.

NOTICE OF THE EGM



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 (the “EGM”) of Kong Sun Holdings Limited (the “Company”) will be held at 9/F., Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on 2 February 2016 at 11 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolution as the ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 18 January 2016 of the Company.

“THAT:

- (i) the Subscription Agreement (a copy of which has been tabled at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (ii) allotment and issue of the Subscription Shares by the Company be and is hereby approved; and
- (iii) any one Director be and is authorised to do all such things and take all such actions as he may consider necessary or desirable to implement and/or give effect to the Subscription Agreement and all transactions contemplated thereunder.”

By Order of the Board
Kong Sun Holdings Limited
Liu Wen Ping
Executive Director

Hong Kong, 18 January 2016

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be an individual) to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. 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 notarially certified copy thereof must be lodged with the Company's share registrar, Computershare Hong Kong Investors Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
3. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the relevant joint holding.

As at the date of this notice, 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.