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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)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO A FRAMEWORK CO-OPERATION AGREEMENT BY A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY IN RELATION TO A HYDRO-ELECTRIC POWER PROJECT

The board (the “**Board**”) of directors (the “**Directors**”) of Kong Sun Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that on 6 June 2016, 江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Co., Ltd.*) (“**Kong Sun Yongtai**”), a company established in the People’s Republic of China (the “**PRC**”) and a wholly-owned subsidiary of the Company, entered into a framework co-operation agreement (the “**Agreement**”) with 塔里木河流域管理局 (Tarim River Basin Management Bureau*) (the “**Bureau**”) in relation to the initial phases of a hydro-electric power project (the “**Project**”) in Dashixia, Xinjiang Province of the PRC.

The principal terms of the Agreement are as follows:

Parties

- a. Kong Sun Yongtai; and
- b. the Bureau.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Bureau and its ultimate beneficial owner is independent of the Company and connected persons of the Company.

The co-operation

The first phase of the co-operation (the “**First Phase**”) involves, among others, construction planning, preliminary designs of the Project, on-site testings and research and development of the Project (the “**Preparation Work**”). It is currently expected that the First Phase will be completed before 2017.

JV Company and capital contribution

A joint venture company (the “**JV Company**”) will be established for the purpose of First Phase of the Project. The JV Company will be owned by the Bureau and Kong Sun Yongtai as to 20% and 80% respectively.

The maximum total registered capital of the JV Company in relation to the First Phase will not be more than RMB300,000,000 and to be contributed by the Bureau and Kong Sun Yongtai in accordance with their respective percentage of equity interests in the JV Company in stages as follow:

- i. set-up stage – the initial registered capital of the JV Company will be RMB20,000,000;
- ii. second stage – once the Preparation Work has started, the registered capital of the JV Company will be increased to not more than RMB100,000,000, according to the actual financial needs; and
- iii. third stage – as such time and such amount is considered as necessary for the Preparation Work, the registered capital of the JV Company will be increased to not more than RMB300,000,000.

Upon formation of the JV Company, Kong Sun Yongtai shall have control and management of all finances of the JV Company while the Bureau will be responsible for the technical department of the JV Company.

The Company intends to fund its commitments to the JV Company by internal resources of the Group.

The Second Phase and potential participation in the Second Phase by the Group

The second phase of the Project (the “**Second Phase**”) involves first setting up of a project company for the Project (the “**Project Company**”) and secondly the Bureau inviting public tenders for participation in the construction and operation of the Project via public-private partnership (“**PPP**”) mode. Under the PPP co-operation, the Bureau would partner with one or more private entities to construct and operate the Project.

Commencement of construction of the Project is subject to obtaining the necessary approvals from the Development and Reform Commission of the PRC (the “**Reform Commission**”). Upon obtaining the necessary approvals, the Second Phase of the Project will begin.

Pursuant to the terms of the Agreement, should Kong Sun Yongtai elect to participate in the public tender for the Second Phase, Kong Sun Yongtai will be given priority over other bidders given the same terms.

Term

The term of the Agreement commences from the date of signing of the Agreement until the date of obtaining the necessary approvals from the Reform Commission and the formation of the Project Company.

Return on investment

If Kong Sun Yongtai does not participate in the Second Phase (either by not entering into or failing to win the public tender for the Second Phase), Kong Sun Yongtai shall have the right to elect to receive either:

- (i) the aggregate amount of the First Phase capital injections contributed by it plus an interest on the aforesaid amount calculated based on the five year base lending rate stipulated in the PRC; or
- (ii) the aggregate amount of the First Phase capital injections contributed by it plus an interest on the aforesaid calculated based on the investment return rate agreed between the Bureau and the successful bidder for the Second Phase.

Payment to Kong Sun Yongtai shall be made within three months upon completion of the auditing of the Project. Any delayed payment will be subject to an additional interest of 0.05 per cent per day on the relevant delayed unpaid amount.

If Kong Sun Yongtai elects to participate and is successful in the public tender for the Second Phase, Kong Sun Yongtai shall have the right to elect to either receive the aggregate amount as explained in (i) above or to convert the same amount into the equity interest of the Project Company or to set off any amount required as capital contribution for the Second Phase, details of which will be subject to the signing of definitive agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Company is principally engaged in the investment in and development of photovoltaic power plants and trading of equipments related to photovoltaic power stations, properties investment, trading of life-like plants in the PRC. The Company is also committed to exploring new and different investment opportunities, in particular in renewable energy territory, in order to broaden its source of income.

The Bureau is a government body and is principally responsible for the management of the Tarim River Basin in Xinjiang Province, the PRC, including overseeing the conservation and management of hydraulic systems around the Tarim River Basin.

The Project has been classified, pursuant to a notice (關於開展社會資本參與重大水利工程建設運營第一批試點工作的通知) by the Reform Commission, as part of the first batch participants in a pilot project in relation to the construction and operation of hydro-electric power plants across the PRC. Entering into the Agreement with the Bureau presents the Company with opportunity to firstly broaden its income base, participate in a state initiated pilot project and to benefit from gaining exposure to a different energy generation platform.

The Board is of the view that the terms of the Agreement and the co-operation are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

As the relevant percentage ratios in respect of the establishment of JV Company through joint capital contribution under Rule 14.07 of the Listing Rules are less than 5%, the entering into the Agreement does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and hence this announcement is made by the Company on a voluntary basis.

Trading in the shares of the Company has been suspended since 9:00 a.m. on 1 April 2016 at the request of the Company and will remain suspended until further notice. The release of this announcement does not necessarily indicate that trading in the shares of the Company will be resumed. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 6 June 2016

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

** For identification purposes only*