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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)

**FURTHER INFORMATION ON
DISCLOSEABLE TRANSACTION
IN RELATION TO THE PARTNERSHIP AGREEMENT**

Reference is made to the announcement of Kong Sun Holdings Limited (the “**Company**”) dated 11 October 2016 in relation to the Partnership Agreement entered into by Partner A, Partner B and Kong Sun Yongtai, a wholly-owned subsidiary of the Company, pursuant to which the parties agreed to form the Limited Partnership for carrying out investments primarily in the high-tech and emerging industries, the energy industry and other high-growth unlisted enterprises (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

Save for the information provided in the Announcement, the Company would like to disclose further information regarding the terms of the Partnership Agreement and background of the Partners.

FURTHER INFORMATION ON THE PARTNERSHIP AGREEMENT

Management Fees

Pursuant to the terms of the Partnership Agreement, the Limited Partnership shall pay Management Fees to Partner A. The Management Fees comprise of (a) a fixed management fee of 0.1% per annum on the actual aggregate capital contributions by the Limited Partners; and (b) an additional rate of floating management fee on the actual aggregate capital contributions by the Limited Partners as follows:

Annualized rate of return of the Limited Partnership	Additional rate of floating management fee
1. Less than 25%	Nil
2. Equal to or more than 25% but less than 40%	0.1% per annum
3. Equal to or more than 40% but less than 60%	0.5% per annum
4. Equal to or more than 60%	1% per annum

The Management Fees shall be calculated based on the actual number of days of which Partner A has provided management services to the Limited Partnership.

The Management Fees were arrived upon arm's length negotiation between the parties with reference to (i) the market rate of management fee payable for provision of similar services for limited partnerships of similar size and nature of the Limited Partnership; (ii) the investment management and administrative services expected to be provided by Partner A to the Limited Partnership; and (iii) the terms of the Limited Partnership.

The Profit and Loss Arrangements

Profit distribution

Pursuant to the terms of the Partnership Agreement, the Limited Partnership shall first distribute the Basic Return, representing an annualized rate of return of 9% on the actual capital contribution of Partner B, to Partner B. Thereafter, the Limited Partnership shall distribute the Surplus to Partner B and Kong Sun Yongtai in the proportion of 20:80. Further, if the Distributable Profits are not sufficient to settle the Basic Return to Partner B, the Limited Partnership shall nonetheless distribute the Distributable Profits to Partner B first and Kong Sun Yongtai shall compensate Partner B with the relevant shortfall amount, which shall be limited to the amount of capital contribution of Kong Sun Yongtai (the "**Profit Distribution Arrangement**").

Loss sharing

Pursuant to the terms of the Partnership Agreement, loss incurred by the Limited Partnership shall be borne by the assets of the Limited Partnership. If the assets of the Limited Partnership are insufficient to cover such loss, Partner B and Kong Sun Yongtai, as limited partners, shall assume liability which shall be limited to their respective capital contribution.

As stated in the paragraph headed “Profit distribution” above, Partner B is guaranteed with the Basic Return, representing an annualized rate of return of 9% on the actual capital contribution of Partner B. In the event that the Distributable Profits are not sufficient to settle the Basic Return to Partner B, Kong Sun Yongtai shall compensate Partner B with the relevant shortfall amount to make up the Basic Return, provided that, the amount of shortfall to be compensated by Kong Sun Yongtai shall only be limited to the amount of capital contribution of Kong Sun Yongtai. In the circumstance when the Distributable Profits are not sufficient to settle the Basic Return and that Partner B are not being distributed with a return representing an annualized rate of return of 9% on the actual capital contribution of Partner B even after shortfall being compensated by Kong Sun Yongtai, Kong Sun Yongtai will not be required to make any additional compensation to Partner B exceeding the amount of capital contribution made by Kong Sun Yongtai.

Save as aforesaid, loss incurred by the Limited Partnership shall be borne by Partner B and Kong Sun Yongtai in proportion to their respective capital contribution and Kong Sun Yongtai is not required to make any other compensation exceeding the amount of capital contribution made by Kong Sun Yongtai (the “**Loss Sharing Arrangement**”, together with the Profit Distribution Arrangement, the “**Profit and Loss Arrangements**”).

Rationale for the Profit and Loss Arrangements

The Profit and Loss Arrangements were agreed among the parties upon arm’s length negotiation taking into consideration of:

- (i) the amount of capital contribution to be made by each of the Partners. In particular, the capital contribution agreed to be made by Partner B, being RMB2.55 billion in the Limited Partnership, represents more than five times of the capital contribution agreed to be made by Kong Sun Yongtai;

- (ii) the scope of investment of the Limited Partnership which may involve in investment in emerging industries and the additional level of risks attributable to the investment being made by Partner B into the Limited Partnership as compared to the investment to be made by Kong Sun Yongtai;
- (iii) the size of the Limited Partnership (with the support of Partner B's financial resources) being a relatively sizeable investment opportunity for the Group in light of the amount of capital contribution required to be made by Kong Sun Yongtai;
- (iv) the business profile of Partner B, as further detailed in the paragraph headed "Further information on Partner A and Partner B" below, and the demonstrated strong performance of Partner B in the PRC market; and
- (v) the Group's strategic co-operation with Partner B which may bring to the Group other valuable opportunities for co-operation in the long run.

Based on the aforesaid, it was agreed that Partner B will be guaranteed with the Basic Return and with the shortfall amount, if any, being compensated by Kong Sun Yongtai. Accordingly, the Directors are of the view that the Profit and Loss Arrangements are fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

Transfer of interest in the Limited Partnership

Pursuant to the terms of the Partnership Agreement, Kong Sun Yongtai undertook to Partner B that (i) it shall not exit from the Limited Partnership or dispose of its interest in the Limited Partnership before Partner B receives its capital contribution and the Basic Return pursuant to the terms of the Partnership Agreement; and (ii) when Partner B transfers its interests in the Limited Partnership, Kong Sun Yongtai shall compensate Partner B any shortfall amount to make up for the amount of the Basic Return that Partner B should receive under the Partnership Agreement, provided that such shortfall amount shall be limited to Kong Sun Yongtai's capital contribution (the "**Transfer Restriction**").

Pursuant to the Partnership Agreement, the Basic Return payable to Partner B shall be guaranteed by Kong Sun Yongtai under the Profit and Loss Arrangements. The Transfer Restriction was agreed among the parties in line with the protection given under the Profit and Loss Arrangements, to provide protection to Partner B that Kong Sun Yongtai will not exit from the Limited Partnership unless Partner B has received the Basic Return during the term of the Limited Partnership, or if Partner B decides to exit the Limited Partnership prior to the expiry of the Limited Partnership, Partner B shall have received the Basic Return for the period prior to its exit.

Taking together into consideration of the factors as stated under the paragraph headed “Rationale for the Profit and Loss Arrangements” above, the Directors are of the view that the Transfer Restriction is fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

FURTHER INFORMATION ON PARTNER A AND PARTNER B

Partner A is a limited liability company established in the PRC in 2010 and is principally engaged in fund management in the PRC. Partner A has a strong shareholders base, which includes well-known PRC real estate development and investment institutions, such as Sunshine 100 China Holdings Ltd, Forte (Group) Company Limited*, Yinxin Investment Group*, Fuho Capital*, Tangrong Investment* and China Gas Investment*. The management team of Partner A comprise of expertises who have extensive experience in real estate development and private equity investment. Based on the public information available to the Company, Partner A manages more than 40 different RMB-denominated and USD-denominated funds with a portfolio of more than RMB15 billion.

Partner B is a limited liability company established in the PRC in 1995. It is China’s first commercial insurance company formed by way of capital contribution by different enterprises and the fourth non-life insurer in the PRC. Partner B is also named as one of the Top 500 enterprise in China, Top 100 enterprise in Shanghai and the Top 10 most reliable insurance company in China. It is principally engaged in property insurance and financial investment businesses in the PRC, and provides property, travel, liability, credit, marine, accident, and health insurance products both in the PRC and internationally. In addition, Partner B has extensive experience in investments of both listed and unlisted companies in the PRC and overseas. Based on the public information available to the Company, Partner B has a registered capital of approximately RMB12.5 billion and a total assets of approximately RMB169.2 billion as at 31 December 2015.

The Company considers that Partner A and Partner B have adequate and solid experience and capabilities in capital investments and acquisitions, which in turn will bring value-added contribution to the Limited Partnership so as to generate promising return and in turn bring additional return to the Company and its Shareholders as a whole.

CONTINUAL SUSPENSION OF TRADING

At the request of the Company, trading in its shares on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2016 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

18 October 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*