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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)**

**FULFILMENT OF ALL RESUMPTION CONDITIONS  
AND  
RESUMPTION OF TRADING**

**FULFILMENT OF ALL RESUMPTION CONDITIONS**

Reference is made to the Company's announcement dated 29 July 2016 in relation to the Resumption Conditions imposed by the Stock Exchange on the Company in respect of the resumption of trading in the Company's shares on the Stock Exchange. As at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

**RESUMPTION OF TRADING**

Trading in the shares of the Company has been suspended on the Stock Exchange from 9:00 a.m. on 1 April 2016. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on 15 December 2016.

## 1. BACKGROUND

Reference is made to:

- (i) the announcements of Kong Sun Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 March 2016, 31 March 2016, 24 June 2016, 31 August 2016, 30 September 2016, 31 October 2016 and 30 November 2016 in relation to the delay in publication of the Company’s annual results for the year ended 31 December 2015 (the “**2015 Annual Results**”), the delay in publication of the Company’s interim results for the six-month period ended 30 June 2016 (the “**2016 Interim Results**”) and the suspension of trading in the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”);
- (ii) the Company’s announcements dated 28 April 2016, 23 May 2016, 25 May 2016 and 8 July 2016 in relation to (a) the resignation of KPMG as the Company’s auditor (the “**Resignation Announcement**”), (b) the appointment of Somerley Capital Limited as the Company’s financial advisor in respect of the outstanding matters relating to the audit of the 2015 Annual Results, (c) the appointment of BDO Limited (“**BDO**”) as the Company’s auditor, and (d) the appointment of SHINEWING Risk Services Limited (“**Shinewing**”) as the Company’s internal control reviewer;
- (iii) the Company’s announcement dated 29 July 2016 in relation to the conditions imposed by the Listing Department of the Stock Exchange on the Company in respect of the resumption of trading in the Company’s shares on the Stock Exchange (the “**Resumption Conditions Announcement**”);
- (iv) the Company’s announcement of 2015 Annual Results dated 13 December 2016 (the “**2015 AR Announcement**”); and
- (v) the Company’s announcement of 2016 Interim Results dated 13 December 2016.

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.

As stated in the Resumption Conditions Announcement, the Stock Exchange has imposed the following conditions (the “**Resumption Conditions**”) on the Company in respect of the resumption of trading in the Company’s shares on the Stock Exchange:

- 1) address issues raised by KPMG in its resignation letter of 28 April 2016 (details of which are set out in the Resignation Announcement) and inform the market of all material information for the shareholders and the investors to appraise the Group’s position (the “**First Resumption Condition**”);
- 2) publish all outstanding financial results and address audit qualifications in its results (if any) (the “**Second Resumption Condition**”); and
- 3) demonstrate that the Company has put in place adequate financial reporting procedures and internal controls systems to meet its obligations under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (the “**Third Resumption Condition**”).

## **2. FULFILMENT OF THE RESUMPTION CONDITIONS**

The Company has fulfilled all of the Resumption Conditions. Details of the fulfilment of the Resumption Conditions are set out below.

### **A. First Resumption Condition – Issues raised by KPMG in its resignation letter of 28 April 2016**

- (i) *The Group had certain sale transactions in respect of solar energy related products (sales amounts, including value-added tax, were around RMB727 million) in 2015, in which circumstances were noted that the customers and the suppliers of these transactions belong to the same group. As of the date of “this letter”, the Company’s management had not provided us with all the supporting documents in relation to these transactions (including but not limited to the basis for determining the transaction prices and the explanation for the commercial substance of these transactions).*

## The Transactions

The Group is principally engaged in the investment in and operation of photovoltaic power plants, trading of solar energy related products, sales of life-like plants and properties investment. During the past two financial years ended 31 December 2015, revenue of the Group mainly comprised income generated from the sales of electricity, sales of solar energy related products to customers and rental income.

The Group commenced engaging in trading of solar energy related products since July 2014 which has become one of the core businesses of the Group since then. As disclosed in the 2015 AR Announcement, the segment income from the sales of solar energy related products for the year ended 31 December 2015 amounted to approximately RMB1,612 million. To the best knowledge of the Company, except for the Suppliers (as defined below) and the Customers (as defined below) involved in the Transactions (as defined below), all the supplier(s) and customer(s) of the Group for its trading of solar energy related products transactions were independent to and not connected with each other.

The Transactions involved eleven purchases and eleven corresponding sales of solar modules and equipment by the Group in the financial year of 2015 (the “**Transactions**”). The Group was invited to provide total solutions to four solar power plant projects where the suppliers of modules and equipment (the “**Suppliers**”) and the power plant operators (the “**Customers**”) of each of the projects belong to the same group. The total solutions provided by the Group included mainly the trading of modules and equipment with value-added services (the “**Value-added Services**”). The Value-added Services comprised, among other things, services and advices to the Suppliers and/or the Customers on:

- (i) the design of power plants and modules and equipment including, among other things, the provision of advices to the Customers on the drafting of the architectural plan such as the distribution of the modules, machines and equipment and on how to deal with the terrain, gradient and weather of the locations etc., and the provision of technical advices to the Suppliers on the production, design, adjustment and fine-tune on the modules and equipment (which are the subject of the Transactions) to be used in the projects;

- (ii) construction engineering management including, among other things, the provision of advices on the construction plans, the schedule of the actual construction work and solution on construction problems;
- (iii) engineering, construction and procurement (“**EPC**”) engineering management service to the Customers. For instance, for a project which is located at a site with relatively flat slope and gradient, construction work has to cater for the possible sandstorm; whereas for a project located at a site with lots of hillside, construction work has to cater for the steepness; and the Group assisted the EPC contractor of the respective projects to resolve the difficulties encountered. The Group also assisted the Customers on providing advices on the construction plans and the schedule of the actual construction work. Although the Group does not itself perform EPC work to customers, the Group has an in-house engineering management team who has the relevant experience in EPC engineering management for many years. As such, the Group was managed to provide EPC engineering management service to the Customers; and
- (iv) grid-connection preparation including the provision of assistance to the Customers to negotiate and work with the power grid company on the preparation for the technical requirements of the actual grid-connection and electricity generation.

The Transactions were initiated by the Suppliers which referred the Group to the Customers in their respective groups. The Group’s head of market research and strategy department, who was an experienced market analyst specialised in the solar power industry in the PRC, has extensive connections with many solar power companies in the PRC, including the Suppliers. After he joined the Group in April 2015, he was approached by the Suppliers enquiring whether the Group could provide total solutions to the solar power plant projects of their respective groups. Before entering into the Transactions, the Group had conducted background search on the Suppliers and the Customers by gathering information relating to their size of operation, shareholders information and/or financial information which is available in the public domain.

The Suppliers and the Customers can be divided into two separate groups, namely a PRC listed group (“**Group A**”) and a private group (“**Group B**”).

The Suppliers and the Customers from Group A are the subsidiaries or the fellow subsidiary of a company based in Jiangsu Province (“**Company A**”) whose shares are listed on the Shenzhen Stock Exchange. As disclosed in Company A’s annual report for the year ended 31 December 2015, Company A recorded revenue of around RMB3.2 billion for the year ended 31 December 2015 and consolidated total assets of around RMB14.4 billion as at 31 December 2015. The Suppliers from Group A are engaged in the design, manufacturing, installation and sale of solar energy related products. The Customers from Group A are engaged in the investment and operation of solar plants in Yunnan Province.

The Supplier from Group B is a private company based in Jiangsu Province (“**Company B**”). The Customers from Group B are subsidiaries of Company B. According to information currently available in the public domain, Company B is a company established in the PRC with a registered capital of RMB702 million and is principally engaged in design and manufacturing of silicon modules, solar power batteries; manufacturing and trading of solar power plant equipment; and development and operations of solar power plants. The Customers from Group B are two companies established in the PRC with registered capital of RMB70 million and RMB10 million, respectively. Each of the two companies are engaged in the investments and operations of solar power plants in Xinjiang Uyghur Autonomous Region and Henan Province respectively.

Despite the fact that the Suppliers are engaged in the design, manufacturing and operation of solar power plants and related equipment and parts, to the best knowledge, information and belief of the Directors and upon reasonable enquiries being made with the Suppliers, none of the Suppliers has the capacity and expertise to provide the total solutions similar to those provided by the Group. In particular, the Suppliers lacked the knowledge and experience in (i) formulating construction plan to resolve technical issues relating to terrain, gradient and weather of construction site; and (ii) negotiation with the power grid company on the preparation for the technical requirements of the actual grid-connection and electricity generation. In addition, the Company believes that the Group’s strong and established reputation within the PRC solar power industry was also one of the factors the Suppliers considered when the Suppliers approached the Group for managing the construction of solar power plants.

Based on publicly available information relating to the company profile and ownership structure of each of the Suppliers and the Customers, and upon reasonable enquiries being made with the Suppliers and the Customers, the Board concluded and confirmed that each of the Suppliers and the Customers and their respective ultimate beneficial owners (i) is a third party independent of the Company and its connected persons; and (ii) other than the Transactions, did not and do not have any prior or existing business relationships with the Company and any of the connected persons of the Company. Upon review of the information provided by the management of the Company as regard the background checks on the Suppliers and the Customers, the Audit Committee concluded that each of the Suppliers and the Customers is independent to the Company and its connected persons.

This was the first time that the Group entered into the Transactions with such unique business arrangements, that is, the sales and purchases of solar modules and equipment with the Value-added Services provided. Since the Group was required to ensure that the modules and equipment were properly designed, adjusted and fine-tuned to meet the requirements of the projects operated by the Customers, the Group entered into purchase contracts with the Suppliers under which the Group assumed all the costs and risks of the relevant purchases. The Group then sold the adjusted and fine-tuned modules and equipment to the Customers and at the same time, provided the relevant engineering management and follow-up services to the Customers.

Each of the Transactions was negotiated with the Suppliers and the Customers, on a case-by-case basis where services and/or advice provided by the Group, modules and equipment involved, time required and/or technical requirements involved in each project were different. The pricing of the contracts and hence, the profit margins, involved in the Transactions were largely dependent on the products required and the complexity of the Value-added Services provided and therefore, varied and were not directly comparable to each other.

Typically and in line with the credit terms for other customers of the Group, the Group generally accepts a credit period of 30 to 180 days for the trading of solar energy related products. As at the date of this announcement, all payables and receivables in relation to the Transactions have been fully settled by the parties pursuant to the relevant purchases and/or sales contracts.

Since the Transactions were entered into with third parties independent of the Company and its connected persons (as disclosed above), the Transactions' profit margins were negotiated individually with reference to the tailor-made products/services involved, and the Transactions contributed to the profitability of the Group, the Board and the Audit Committee are of the opinion that the Transactions were entered into under normal commercial terms and were commercially justifiable.

### KPMG

When the former auditor of the Company, KPMG, performed their audit field work for the annual results for the financial year ended 31 December 2015 (“FY2015”) in February 2016, all the sale and purchase contracts and receipt and delivery notes in relation to the Transactions had been provided to KPMG during the period from February 2016 to March 2016.

During the course of preparation of the audit of the financial statements of FY2015, KPMG had requested to extend their audit work, including but not limited to, sending additional audit confirmations, conducting site visits and interviews with the Suppliers and the Customers in relation to the Transactions (the “**Additional Audit Work**”). Subject to the total audit fee (including the audit fee for the Additional Audit Work) being agreed in advance, management of the Company had at all times agreed with the principle of extending the Additional Audit Work by KPMG. On 29 March 2015, the management of the Company discussed with KPMG on the total audit fee which also covered the Additional Audit Work.

However, the total audit fee (including the audit fee for the Additional Audit Work) in relation to the 2015 annual audit could not be agreed between the Company and KPMG. As a result, KPMG did not commence the Additional Audit Work and not all the supporting documents and explanation in relation to the Transactions as requested by KPMG, among other things, had been provided to KPMG up to the date of their resignation on 28 April 2016.



## BDO

BDO was appointed as the Company's auditor with effect from 25 May 2016 to fill the casual vacancy following the resignation of KPMG.

During the course of carrying out the audit work by BDO,

- (i) the management of the Company provided detailed explanation to BDO on the background to, and the commercial rationale behind, the Transactions and in particular, the unique arrangement that, in addition to the sales and purchases of solar modules and equipment (the "**Trading of Goods**"), the Group provided the Value-added Services to the Suppliers and the Customers;
- (ii) extensive audit work has been carried out by BDO; and
- (iii) all the Transactions and the related Value-added Services were verbally verified by the Suppliers and the Customers during the physical meetings or telephone conference calls conducted between BDO and the Suppliers and the Customers.

Notwithstanding the above, BDO still considered that it had not obtained sufficient appropriate audit evidence in relation to the Transactions, mainly due to the absence of descriptions in the related purchases and sales contracts and/or any other documents regarding details of the Value-added Services provided. Without the documentary evidence regarding the Value-added Services performed by the Group, BDO is of the view that they could not obtain sufficient audit evidence to verify the existence and/or the extent and/or completion of the Value-added Services by the Group. As a result, BDO issued a qualified opinion in relation to the Transactions in their independent auditor's report on the 2015 Annual Results.

In the section headed “B. Second Resumption Condition – Publication of the 2015 Annual Results and the 2016 Interim Results” below and extract of BDO’s qualified opinion regarding the Transactions is reproduced and BDO stated that:

*“Had we been able to obtain sufficient appropriate audit evidence concerning the existence and the Group’s performance of the Value-added Services, we would have considered that the Group should have recognised service fee income in these financial statements no matter whether the business substance of the element of Trading of Goods is sustained.”*

The Board and the Audit Committee are of the view that the sales of the modules and equipment and the provision of the Value-added Services to the Customers were bundled, and the Transactions should, therefore, be accounted for as sales and purchases with no service income being recognised and grouped within the Group’s photovoltaic business segment. In any case and based on such understanding, there would not be impact on the results of the Group for FY2015, whether the Transactions were recorded by way of sales and purchases or by way of a combination of sale and purchase and service fee income.

#### Internal control

Due to deficiency in the Group’s internal control, there was absence of descriptions and details of the Value-added Services provided by the Group in the related purchases and sales contracts and/or any other written documents for the Transactions.

As set out in the section headed “C. Third Resumption Condition – Internal Control Review” below, Shinewing considers that the Group lacked, among other things, (i) project team for certain of its projects; (ii) proper documentary filing of customers’ background check and order forms; and (iii) assessment and analysis on new suppliers’ background and existing suppliers’ performance and periodic assessment on suppliers and proper filing of acceptance documents.

Shinewing recommended the Proposed Measures (as defined below) in the Internal Control Report (as defined below). Further details are set out in the section headed “C. Third Resumption Condition – Internal Control Review” below. The Company has implemented the Proposed Measures in accordance with the recommendations of Shinewing in August 2016.

- (ii) *The Group had entered into an equity repurchase agreement with a third party in respect of a subsidiary of the Group in Shaanxi (the “**Shaanxi subsidiary**”), in which the third party agreed to repurchase the equity in Shaanxi subsidiary from the Group for a consideration of around RMB185 million and refund to the Group the consultancy service fee received of around HK\$80 million (the “**refundable amount**”, which had not been received by the Group as of 31 December 2015). In addition, both parties had not agreed on the compensation amount in respect of the amounts incurred by the Group and capitalised as assets (the “**assets to be compensated**”, which had a carrying value of around RMB50 million as at 31 December 2015). As of the date of “this letter”, the Company’s management had not provided us with the audit evidences to support no recoverability and impairment risks existed in respect of the refundable amount and the assets to be compensated, respectively.*

#### Repurchase Agreement

As disclosed in the Company’s announcement dated 7 July 2014 and the 2015 AR Announcement, 江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Co., Ltd.\*, “**KS New Energy**”), a company established in the PRC and a wholly-owned subsidiary of the Company, entered into an acquisition agreement (the “**Acquisition Agreement**”) with a wholly-owned subsidiary of BYD Company Limited (“**BYD**”, being an independent third party) pursuant to which the Group agreed to purchase the equity interest in the Shaanxi subsidiary at the consideration of RMB204,000,000. The Shaanxi subsidiary is a project company established for the development of a 300 MW photovoltaic power plant in Shaanxi Province, the PRC (the “**Shaanxi Project**”). As at the date of the Acquisition Agreement, the construction work on the Shaanxi Project had not commenced. The consideration under the Acquisition Agreement was determined after arm’s length negotiations between the parties with reference to the designed generation capacity (300 MV) of the Shaanxi Project.

Pursuant to the terms of the Acquisition Agreement, a 91% equity interest in the Shaanxi subsidiary was acquired by the Group on 25 September 2014. On 27 November 2014, the Shaanxi subsidiary completed a capital increase and the Group made further capital contribution in the amount of RMB37,094,000 to the Shaanxi subsidiary. The Group's interests in the Shaanxi subsidiary was increased to approximately 99.884%.

On 9 October 2014 and 28 October 2014, the State Energy Administration (the “**SEA**”) (國家能源局) issued the notices “國家能源局關於進一步加強光伏電站－建設與運行管理工作的通知” and “國家能源局關於規範電力專案開工建設秩序的通知” (the “**Notices**”), respectively, which prohibit the original applicant (i.e. the wholly-owned subsidiary of BYD) which has obtained from the relevant local government the requisite approval documents (the “**Approvals**”) for the Shaanxi Project from transferring the equity interest in the Shaanxi subsidiary before the projects were connected to the power grid unless the new shareholder of the Shaanxi subsidiary made relevant filings to obtain the Approvals again as if the Shaanxi Project owned by the Shaanxi subsidiary were a new project (the “**New Project Application**”).

As the registration for the transfer of the 91% equity interest in the Shaanxi subsidiary has been completed before the issue of the Notices, the Directors did not consider there was any violation of the relevant laws or regulations by the Group. As a result, KS New Energy did not make the New Project Application at that time and the Group commenced its foundation and construction work on the Shaanxi Project owned by the Shaanxi subsidiary in early 2015.

On 28 October 2015, the SEA issued another notice to the Shaanxi Province Energy Administration (the “**SPEA**”) (陝西省能源局) and Northwest Energy Administration (西北能源監管局) which ruled that the transfer of the equity interest in the Shaanxi subsidiary from BYD to the Group violated the Notices (the “**Violation**”). The SPEA issued a letter to Shaanxi Province Yulin City Development and Reform Commission (the “**SPYCDRC**”) (陝西省榆林市發展和改革委員會) on 16 November 2015 and instructed SPYCDRC to rectify the Violation. On 18 November 2015, SPYCDRC issued a letter to Shaanxi Province Yulin City Yuyang District Development and Reform Commission (the “**SPYDDRC**”) (陝西省榆林市榆陽區發展和改革局); which in turn issued a notice to the Shaanxi subsidiary on 20 November 2015, instructing the Shaanxi subsidiary to remedy the Violation and to submit its remedial plan to SPYDDRC by 30 November 2015.

Since it will normally take a couple of months for KS New Energy to make the New Project Application and to obtain the Approvals, which would not be able to meet the deadline imposed by SPYDDRC, the Group and BYD agreed to rectify the Violation by way of the transfer of the 99.884% equity interest back to BYD.

On 26 November 2015, the Group wrote two letters to BYD and SPYDDRC respectively, on the arrangement of possible transfer of the 99.884% equity interest back to BYD. On 24 December 2015, the Group and BYD signed an agreement in relation to the repurchase of the entire equity interest in the Shaanxi subsidiary (the “**Repurchase Agreement**”), under which

- (i) it was agreed that:
  - a) the equity interest of the Shaanxi subsidiary held by the Group would be transferred back to BYD;
  - b) the consideration payable by BYD to the Group for the repurchase should be equivalent to the actual payment made by the Group for the acquisition for the Shaanxi subsidiary in the amount of RMB184,600,000 (the “**Actual Payment**”); and in addition, BYD should refund to the Group the amount of HK\$80,300,000 consultancy fee paid by the Group in 2014; and
  - c) the parties would enter into supplemental agreement in the future to deal with the treatment of the Assets (as defined below) which was still under negotiation at the time of the entering into of the Repurchase Agreement;
- (ii) BYD acknowledged that:
  - a) the Group, through its then subsidiary, the Shaanxi subsidiary, had been carrying out certain construction work on the Shaanxi Project, which was represented as solar power plant under development (being referred to as “**assets to be compensated**” in KPMG’s resignation letter, the “**Assets**”) in the amount of RMB57,158,000 as shown in the balance sheet of the Shaanxi subsidiary as at 31 December 2015;
  - b) the Assets belonged to the Group; and

- c) after completion of the repurchase, it would not sell its interests in the Shaanxi subsidiary or dispose of the Assets without prior agreement with the Group.

The consideration of RMB184,600,000 under the Repurchase Agreement was determined after arm's length negotiation between BYD and the Group with reference to the Actual Payment and the consultancy fee paid by the Group for the development of the Shaanxi Project in 2014.

As all the applicable percentage ratios regarding to the Repurchase Agreement were below 5%, the entering into of the Repurchase Agreement and the transactions contemplated thereunder were not subject to reporting or shareholders' approval requirement under Chapter 14 of the Listing Rules. As at the date of this announcement, BYD had fully settled the consideration of RMB184,600,000 and refunded the consultancy fee of HK\$80,300,000 pursuant to the Repurchase Agreement. Further details of the Repurchase Agreement are set out in note 15 to the consolidated financial statements of the 2015 AR Announcement.

#### KPMG

As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, not all the supporting documents and explanation in relation to the Repurchase Agreement as requested by KPMG had been provided prior to their resignation on 28 April 2016.

#### BDO

All supporting documents in relation to the Repurchase Agreement and the Shaanxi subsidiary, as requested by the Company's auditor, BDO, including but not limited to (i) the Repurchase Agreement signed by the parties, (ii) relevant bank remittance records and receipt records; (iii) management accounts of the Shaanxi subsidiary for the financial year ended 31 December 2015, and (iv) the audit working papers prepared by a PRC auditor which was engaged to perform the statutory audit for the Shaanxi subsidiary's annual results for the financial year ended 31 December 2015, were provided to and reviewed by BDO to fulfil its audit work for the preparation of the 2015 Annual Results.

### Accounting treatment

As disclosed in the 2015 AR Announcement, given that the Repurchase Agreement was entered into with BYD in December 2015 and such repurchase was subsequently completed in January 2016, the assets and liabilities relating to the Shaanxi subsidiary have been separately classified as held for sale in the consolidated statement of financial position of the Group in accordance with Hong Kong Financial Reporting Standard No. 5 “Non-current Assets Held for Sale and Discontinued Operations” (“**HKFRS 5**”). The disposal of the Shaanxi subsidiary does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

Despite the fact that the Repurchase Agreement provided that the Assets belonged to the Group and that BYD would not sell its equity interest in the Shaanxi subsidiary or dispose of the Assets without prior agreement with the Group, as at 31 December 2015, the Assets were installed on the land in which BYD had legal title and the Group had no control on the Assets prior to any supplemental agreement being entered into between the Group and BYD. With reference to the measurement basis as required under HKFRS 5, the Shaanxi subsidiary was measured at the lower of their carrying amount immediately prior to being classified as held for sale and the fair value less cost of disposal (the “**Fair Value**”). The Board and the Audit Committee regard the sale proceeds less the directly attributable cost which amounted to approximately RMB185,467,000 as the Fair Value for the disposal of Shaanxi subsidiary and, after comparing the net carrying amounts of the Shaanxi subsidiary and the Fair Value, resulted in an impairment loss of approximately RMB57,158,000, which was charged to profit or loss for the year ended 31 December 2015.

As the disposal of the Shaanxi subsidiary was completed in January 2016, the disposal of the Shaanxi subsidiary will be recorded in the consolidated financial statements for the year ending 31 December 2016.

## The Assets

The entering of the Repurchase Agreement was mainly triggered by the aforesaid regulatory matters and the Company maintains its view that the Shaanxi Project is complementary to the Group's projects portfolio and the Assets are valuable as the Group has invested an amount of approximately RMB57,158,000 in their development up to the date of the Repurchase Agreement. As such, on 22 October 2016, an equity transfer agreement was entered into between the Group and BYD pursuant to which the Group agreed to acquire the entire equity interest in the Shaanxi subsidiary, the principal assets of which being the Assets, from BYD at a consideration of RMB18,670,000 (the "**Buy-back**"). The consideration for the Buy-back was arrived at upon arm's length negotiation between the parties with reference to, among other things, that (i) the Group has invested an amount of approximately RMB57,158,000 in the development of the Assets up to the date of the Repurchase Agreement; (ii) the amount due from the Shaanxi subsidiary to BYD as a result of further contribution made on the Shaanxi Project by BYD following completion of the Repurchase Agreement; and (iii) the Group is required to make the New Project Application following completion of the Buy-back.

Immediately upon completion of the Buy-back, KS New Energy, through the Shaanxi subsidiary, has made the New Project Application to SPYDDRC and such application is still under process as at the date of this announcement. Once KS New Energy, as the applicant, obtains the Approvals from the relevant local government, the Shaanxi subsidiary is expected to be eligible to make application for grid-connection.

Based on the Company's understanding, as KS New Energy has already made the New Project Application upon the Buy-back, no regulatory issue under the Notices should be applicable with respect to the Buy-back once the Approvals are obtained. Further, in light of the consideration for the Buy-back being relatively minimal as compared to value of the Assets and taking into account that the Assets are valuable to the Group for its development of solar power plant purposes, the Board is of the view that the Buy-back is in the interests of the Company and the Shareholders as a whole.



As all the applicable percentage ratios regarding to the Buy-back were below 5%, the Buy-back was not subject to reporting or shareholders' approval requirement under Chapter 14 of the Listing Rules.

*(iii) A solar power plant of the Group in Dunhuang (with a carrying value of RMB487 million as at 31 December 2015) had been completed in January 2015 but was not connected to the power grid for generating electricity as of 31 December 2015. As of the date of "this letter", the Company's management had not provided us with the audit evidences supporting no impairment issue existed for this solar power plant.*

Prior to the resignation of KPMG on 28 April 2016, there was a delay in the timetable for the Group's solar power plant project in Dunhuang to connect to the power grid and to conduct its sale of electricity. As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, the Board did not discuss with KPMG in detail on the status of and any impairments assessment on the Dunhuang project prior to KPMG's resignation on 28 April 2016.

As disclosed in the Company's announcement dated 30 June 2016, the Group's solar power plant in Dunhuang has completed the connection to the power grid of Gansu Province, the PRC on 29 June 2016.

The Company had provided BDO with, and BDO had reviewed, the supporting documents, including but not limited to (i) Dunhuang project's on-grid approval letter issued by State Energy Bureau Gansu Supervision Office\* (國家能源局甘肅監管辦公室); (ii) electricity supply agreement entered into between the Group and National Grid Gansu Province Electricity Company\* (國網甘肅省電力公司); (iii) cash flow forecast of the Dunhuang project, and (iv) a valuation report on the Dunhuang project issued by an independent valuer; all of which supported that no impairment issue existed for the solar power plant in Dunhuang, as part of its audit work for the preparation of the 2015 Annual Results.

After the assessment of, among other things, the recoverable amount of Dunhuang project based on the cash flow projection of the Dunhuang project, the Board and the Audit Committee consider that there are no impairment issue in relation to the solar power plant in Dunhuang for FY2015.

- (iv) *The Group had provided loans and advances to and had current account with a third party in 2015 and the outstanding balances were around RMB1.09 billion at 31 December 2015. As of the date of “this letter”, the Company’s management had not provided us with sufficient supporting documents in relation to these transactions and the audit evidences on the recoverability of these balances and whether the transactions are in compliance with the Listing Rules.*

#### Loans and advances

These loans and advances were made to 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.\*, “**Zhongke**”, together with its subsidiaries, “**Zhongke Group**”) for meeting Zhongke Group’s financial needs for its projects from time to time. Zhongke became an associated company of the Group on 30 January 2016. As stated in the 2015 AR Announcement, the outstanding balance of the Loans and Advances (as defined below) was approximately RMB1,144.1 million as at 31 December 2015. As at the date of this announcement, all the outstanding Loans and Advances was fully settled by Zhongke Group.

During the period from 26 November 2014 up to 11 May 2016 (being the date on which the last advance was made to Zhongke Group), the total amount of loans and advances made to Zhongke Group, on an aggregate basis, amounted to approximately RMB1,608.2 million (the “**Loans and Advances**”). Each of the Loans and Advances made by the Group to Zhongke Group is unsecured, interest-free and repayable upon request of the Group.

As one or more of the applicable percentage ratios for the provision of the Loans and Advances was 25% or more and all applicable percentage ratios were less than 100%, the provision of the Loans and Advances to Zhongke Group during the aforesaid period should have constituted a major transaction for the Company under Chapter 14 of the Listing Rules.

As the asset ratio for the provision of the Loans and Advances exceeds 8%, the provision of the Loans and Advances also constitute as an advance to an entity subject to reporting requirements under Rule 13.13 of the Listing Rules.

Due to inadvertent oversight, the Company has not issued any announcement in relation to the Loans and Advances and complied with the relevant requirements under Chapter 13 and Chapter 14 of the Listing Rules. No other loans or advances have been made to Zhongke Group by the Group since 12 May 2016 and up to the date of this announcement. The Group currently has no plan to provide any new loan or advance to the Zhongke Group. In the event that the Group intends to provide any new loan or advance to the Zhongke Group, the Group will comply with all reporting requirements pursuant to the Listing Rules as and when applicable.

The Board was made aware of the Loans and Advances on 15 March 2016 when KPMG requested supporting documents in relation to the relevant loans and advances. The Board immediately enquired the relevant management staff in the PRC (the “**Responsible Staff**”) on the Loans and Advances. The Board was informed that:

- (i) the Responsible Staff had carried out due diligence on Zhongke Group’s financial background prior to granting the first advance to Zhongke Group in 2014 and assessed the recoverability of the loans and advances to Zhongke Group;
- (ii) they were satisfied with the financial position of Zhongke Group and the recoverability of the Loans and Advances;
- (iii) the Responsible Staff had enquired the use of the Loans and Advances, and were given to understand that Zhongke Group would apply the loan proceeds from the Group for power plant development and long term investment in an insurance company and a commercial bank in the PRC; and
- (iv) they had also reviewed the corporate and financial information of the aforesaid insurance company and commercial bank.

The Board and the Audit Committee were satisfied with the due diligence and the recoverability assessment conducted by the Responsible Staff and considered that the Loans and Advances are, although not having complied with Chapter 13 and Chapter 14 of the Listing Rules due to deficiencies in internal reporting/approval practices, commercially justifiable, given that each of the companies of Zhongke Group has now become the Group’s associated company.

## Audit

As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, not all supporting documents and explanation relating to the Loans and Advances as requested by it had been provided to KPMG prior to their resignation on 28 April 2016.

Following the appointment of BDO as the Company's auditor on 25 May 2016, all supporting documents in relation to the Loans and Advances as requested by BDO, including but not limited to (i) bank remittance proof as regard the granting of the Loans and Advances; (ii) bank receipt proof as regard the settlement of the Loans and Advances; and (iii) Zhongke Group's management accounts as at 31 December 2015, were provided to BDO to carry out its audit work for the preparation of the 2015 Annual Results.

As all the Loan and Advances have been fully settled by 25 October 2016, no impairment loss with regard to the Loans and Advances has been made in the consolidated financial statements of the Group for the year ended 31 December 2015.

## Internal control

It was also one of the major deficiencies identified by Shinewing in the Internal Control Report (as defined in the section headed "C. Third Resumption Condition – Internal Control Review" below) that the Group had no written internal control procedures in the past in respect of provision of loans and/or advances to an entity. In order to mitigate the risks of any further non-compliance of the Listing Rules from occurrence in the future, the Company has undertaken a detailed review on its internal procedures and implemented a series of remedial actions to improve its internal control system in relation to compliance of the Listing Rules. The Company has formulated and adopted formal internal policy for ensuring compliance with the Listing Rules and other laws and regulations. It has adopted procedural manual in identifying and handling the provision of loans and/or advances to an entity in respect of the requirements under Chapters 13 and/or 14 of the Listing Rules. Further details are set out in the section headed "C. Third Resumption Condition – Internal Control Review" below as regard the results of the internal control review by Shinewing on the Group.

- (v) *As of the date of “this letter”, the Company’s management had not provided us with the management accounts for the year ended 31 December 2015 in respect of certain subsidiaries of the Group (together with the relevant breakdowns and supporting documents) required for our audit.*

The Company had provided management accounts of all subsidiaries of the Company to KPMG by mid-March 2016. However, prior to the resignation of KPMG on 28 April 2016, certain relevant breakdowns and supporting documents were still under preparation and finalisation by the management of the Company. As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, not all the relevant breakdowns and supporting documents as requested by it had been provided to KPMG prior to its resignation on 28 April 2016.

The Company had provided BDO with, and BDO had reviewed, the management accounts for FY2015 in respect of all the relevant subsidiaries of the Group (together with the relevant breakdowns and supporting documents) to fulfil its audit work for the preparation of the 2015 Annual Results.

The Audit Committee had been closely monitoring the progress of the audit carried out by BDO and does not have any concern on the above matter.

- (vi) *As of the date of “this letter”, the Company’s management had not provided us with the sub-ledgers and relevant supporting documents in respect of certain account balances and disclosures of the Group’s financial statements for the year ended 31 December 2015 (including but not limited to sales and cost of sales, expenses, trade and other receivables, solar power plants, interest in a joint venture, goodwill, investment properties, trade and other payables, loans and borrowings, non-controlling interests, capital and operating lease commitments and contingent liabilities).*

Prior to the resignation of KPMG on 28 April 2016, the sub-ledgers and relevant supporting documents in respect of certain account balances and disclosures of the Group's financial statements for FY2015 were still under preparation and finalisation by the management of the Company. As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, not all supporting documents and explanation in respect of certain account balances and disclosures of the Group's financial statements as requested by it had been provided to KPMG prior to its resignation on 28 April 2016.

The Company had provided BDO with, and BDO had reviewed, all the relevant sub-ledgers and related supporting documents in respect of all the account balances and disclosures of the Group's financial statements for FY2015 to fulfil its audit work for the preparation of the 2015 Annual Results.

The Audit Committee had been closely monitoring the progress of the audit carried out by BDO and does not have any concern on the above matter.

*(vii) As of the date of "this letter", the Company's management had not provided us with the Group's consolidated cash flow statement for the year ended 31 December 2015, together with the relevant supporting documents.*

Prior to the resignation of KPMG on 28 April 2016, the Group's consolidated cash flow statement for the year ended 31 December 2015 was still under preparation and finalisation by the management of the Company. As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, the Group's consolidated cash flow statement for FY2015 (together with the relevant supporting documents), had not been provided to KPMG prior to its resignation on 28 April 2016.

The Company had provided BDO with, and BDO had reviewed, the Group's consolidated cash flow statement for FY2015, together with the relevant supporting documents to fulfil its audit work for the preparation of the 2015 Annual Results.

The Audit Committee had been closely monitoring the progress of the audit carried out by BDO and does not have any concern on the above matter.

*(viii) As of the date of “this letter”, the Company’s management had not provided us with the post balance sheet events (if any) in connection with the Group’s consolidated financial statements for the year ended 31 December 2015, together with the relevant supporting documents.*

Prior to the resignation of KPMG on 28 April 2016, the post balance sheet events in connection with the Group’s consolidated financial statements for the year ended 31 December 2015 were still under preparation and finalisation by the management of the Company. As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, the post balance sheet events in connection with the Group’s consolidated financial statements for FY2015 (together with the relevant supporting documents) had not been provided to KPMG prior to its resignation on 28 April 2016.

The Company had provided BDO with, and BDO had reviewed, the post balance sheet events in connection with the Group’s consolidated financial statements for FY2015, together with the relevant supporting documents to fulfil its audit work for the preparation of the 2015 Annual Results.

The Audit Committee had been closely monitoring the progress of the audit carried out by BDO and does not have any concern on the above matter.

*(ix) As of the date of “this letter”, the Company’s management had not provided us with the Group’s assessment on whether the use of going concern assumptions in preparing the Group’s consolidated financial statements is appropriate, together with the relevant supporting documents.*

As mentioned above, the Company could not agree the total audit fee with KPMG in the course of carrying out their audit work and therefore, the Board had yet to discuss with KPMG in details on the Group’s assessment on whether the use of going concern assumptions in preparing the Group’s consolidated financial statements is appropriate (together with the relevant supporting documents), prior to KPMG’s resignation on 28 April 2016.

The Company had discussed with BDO and had provided BDO with, and BDO had reviewed, the Group's assessment (together with the relevant supporting documents, including but not limited to, the 14-month working capital forecast of the Group up to 31 December 2017) on the use of going concern assumptions in preparing the Group's consolidated financial statements, to fulfil its audit work for the preparation of the 2015 Annual Results.

As disclosed in 2015 AR Announcement, the Group had net assets of approximately RMB3,402 million and cash and bank deposits of approximately RMB637 million as at 31 December 2015. As at 31 December 2015, the Group had a current ratio of around 1.52. Given the Group had a sound financial position as at 31 December 2015 and is expected to generate positive net cash flow throughout the coming twelve-month period based on the 14-month working capital forecast of the Group up to 31 December 2017, the Audit Committee and BDO expressed no concern or disagreement as regards the use of going concern in preparing the Group's consolidated financial statements for FY2015.

In addition, after taking into account the financial resources and banking facilities available to the Group and its internally generated funds, the Board is of the opinion that the Group has sufficient working capital for its present requirement for at least the next twelve months from the date of the resumption in trading of the Shares.

**B. Second Resumption Condition – Publication of the 2015 Annual Results and the 2016 Interim Results**

The 2015 Annual Results were published by the Company on 13 December 2016. The 2015 Annual Report will be despatched to shareholders of the Company on or around 20 December 2016. The auditor's report of BDO for the 2015 Annual Results was qualified and contained a statement of qualified opinion relating to the Transactions. An extraction of such qualified opinion is as follows:



***“Basis for qualified opinion***

*During the year ended 31 December 2015, the Group entered into eleven sales and eleven corresponding purchases related to the solar modules and equipment of approximately RMB621,053,000 and RMB566,552,000 (both value-added tax exclusive) respectively (collectively the “**Transactions**”). Trade receivables and trade payables relating to the Transactions were RMB726,632,000 and RMB662,865,000 (both value-added tax inclusive) respectively as at 31 December 2015. The customers and suppliers of the Transactions are fellow subsidiaries of the same groups (the “**Customers and Suppliers within the Same Groups**”). As a result of the Transactions, the Group recorded a gross profit of approximately RMB54,501,000 for the year ended 31 December 2015. The Customers and Suppliers within the Same Groups are companies engaged in investment in and operation of solar power plants in the People’s Republic of China (the “**PRC**”) and are the manufacturers of solar modules and equipment respectively. The directors of the Company represented that the Transactions had business substance because, in addition to the sales and purchases of solar modules and equipment (the “**Trading of Goods**”), the Group had provided additional value-added services (the “**Value-added Services**”) to the Customers and Suppliers within the Same Groups which included but not limited to the following: (i) technical advice to the supply arms on their production; (ii) architectural design of their solar power plants; (iii) adjustment and finetune on the modules and equipment installed in their solar power plants; (iv) construction and engineering management on their solar power plants; (v) grid connection preparation services; and (vi) other follow-up services (collectively, referred to the “**Rendering of Value-added Services**”). In summary, the directors of the Company represented to us that the Transactions were structured as a bundle of Rendering of Value-added Services and Trading of Goods. In these consolidated financial statements, the Transactions were accounted for as sales and purchases with no service income being recognised and grouped within the Group’s photovoltaic business segment.*

*In respect of the element of Trading of Goods, we have obtained the explanations from the Company’s management about the basis for the business substance. However, we have not been able to obtain sufficient appropriate audit evidence to support the commercial rationale of the Trading of Goods included in the Transactions as represented by the Company’s management.*

*Accordingly, we are unable to determine whether the Transactions should be recognised as sales and purchases in the Company's consolidated financial statements for the year ended 31 December 2015 and whether the related trade receivables and trade payables have been appropriately presented as at that date.*

*In respect of the Rendering of Value-added Services, the contracts of the Transactions did not contain any details about these services and there was no other documentary evidence to support the existence and extent of these services rendered by the Group. We have obtained the explanations from the Company's management the reasons leading to the absence of the evidence. However, we have not been able to obtain sufficient appropriate audit evidence to determine whether the Transactions contained any service element and whether the Group have completed these services during the year ended 31 December 2015. Should there been no Value-added Services included in the Transactions, together with the limitation in our scope of work relating to the element of Trading of Goods (see the paragraph immediate above), the business substance of the Transactions as represented by the Company's directors would not sustain.*

*Had we been able to obtain sufficient appropriate audit evidence concerning the existence and the Group's performance of the Value-added Services, we would have considered that the Group should have recognised service fee income in these financial statements no matter whether the business substance of the element of Trading of Goods is sustained.*

### ***Qualified opinion***

*In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance."*

The background for and the Company's response in respect of the qualified opinion issued by BDO are set out in the sub-section (i) under the section headed "A. First Resumption Condition – Issues raised by KPMG in its resignation letter of 28 April 2016" above.

The 2016 Interim Results were published by the Company on 13 December 2016. The 2016 Interim Report will be despatched to shareholders of the Company on or around 20 December 2016.

### C. Third Resumption Condition – Internal Control Review

Reference is made to the Company’s announcement dated 8 July 2016 in relation to the appointment of Shinewing as the Company’s internal control reviewer. Shinewing completed its internal control review and issued the internal control report dated 6 December 2016 (the “**Internal Control Report**”).

#### Summary of the internal control review

Set out below are (1) fourteen major deficiencies identified by Shinewing; (2) the proposed measures in respect of these fourteen major deficiencies (the “**Proposed Measures**”); (3) specific responses of the management of the Company to the Proposed Measures; and (4) results of Shinewing’s review on the Group’s implementation of the Proposed Measures:–

Major deficiencies	Proposed Measures	Company’s responses	Results of Shinewing’s review on the implementation of Proposed Measures
1. Lack of formal agreement setting out the term and reference and authorities with the Group’s honorable consultants; and lack of project teams for certain of the Group’s projects	The Company is recommended to request the Group’s honorable consultants to acknowledge the job description which defines their terms of reference and extent of authorities. Project teams should be established for each project and regular training should be provided to the project teams. If a subsidiary has transactions with the same party or a connected person in a short period of time, it shall report to the management of the Group, among other things, the time and transactional amounts of the subject transactions, and the management of the Group shall consider if any reporting is required under the Listing Rules or other applicable regulatory requirement.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

<b>Major deficiencies</b>	<b>Proposed Measures</b>	<b>Company's responses</b>	<b>Results of Shinewing's review on the implementation of Proposed Measures</b>
2. Lack of management system in business processes including (i) financial reporting process, (ii) revenue and trade receivables management, (iii) purchase and trade payables management, (iv) fixed assets management, (v) lending process management and (vi) investment process management	The Company is recommended to establish management systems for each business process, and to ensure that business processes adhere to the descriptions set out in the management systems.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
3. Lack of control of the accessibility of accounting system and the management authority limit of each financial officer	The Company is recommended to require each of the Group's project companies to prepare an accounting system permission list. The management of the Group shall review such lists periodically.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
4. Lack of periodic review of each subsidiary's financial information and process and timetable for each subsidiary's month end closing	The Company is recommended to require its financial officer to conduct periodic review and sign off on each subsidiary's financial statements, supporting documents and related documents. Financial officer should be required to review each subsidiary's month end process and timetable to ensure timely submission of financial information to the Company.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
5. Lack of application and approval procedures for addition or alternation of accounting item and/or classification	The Company is recommended to establish application documents for addition or alternation of accounting item and/or classification and require finance staff to complete and submit the duly completed application documents for approval by the management of the Company.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

Major deficiencies	Proposed Measures	Company's responses	Results of Shinewing's review on the implementation of Proposed Measures
6. Delay in revenue recognition for the Group's electricity income and lack of segregation of preparation and review of invoices; lack of proper filing of documents	The Company is recommended to timely recognise revenue according to the electricity generation data at every month end and make subsequent adjustment upon receipt of statement from State Grid Electric Power Company* (國網電力公司). The responsibility of preparation and review of invoices should be segregated to designated personnel to ensure accuracy of figures on invoices.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
7. Lack of proper documentary filing of customers' background check information and order forms; lack of periodic assessment on existing customers' payment status and credit and; lack of proper record keeping of customers' order forms	The Company is recommended to (i) conduct comprehensive background check on customers before acceptance with detailed report to be submitted to relevant management for approval; (ii) carry out periodic assessment on existing customers' payment status and credibility; and (iii) maintain proper record of customers' order forms.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
8. Lack of timely recognition of purchase following acceptance of materials	The Company is recommended to require warehouse manager to record the date and quantity of stocks received on the material receipt following acceptance of materials; and submit the material receipt to the finance department for timely recording.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

Major deficiencies	Proposed Measures	Company's responses	Results of Shinewing's review on the implementation of Proposed Measures
9. Lack of assessment and analysis on new suppliers' background and existing suppliers' performance; lack of record keeping for purchase quotation and price comparison report; lack of periodic assessment on suppliers and lack of proper filing of acceptance documents	The Company is recommended to (i) conduct comprehensive background check on new suppliers before entering into of supply agreements; (ii) carry out periodic assessment on existing suppliers' performance, including its supply quality and delivery schedule; (iii) maintain proper record of suppliers' purchase quotation and price comparison report; and (iv) assign staff to check goods before acceptance and prepare acceptance documents for record.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
10. Lack of proper approval for application for additions of fixed assets; lack of timely recording of the fixed assets; lack of control on purchase, price comparison and recording keeping of price comparison documents	The Company is recommended to implement application procedure for additions of fixed assets in the Group's Office Automation System, and price comparison and purchase of the new fixed assets should be approved by the management of the Group and executed by the administration department in accordance with the Group's "Fixed Assets Management System". The Group's finance department should be required to record the fixed assets following acceptance of the fixed assets. In addition, the Company should ensure that purchase is executed by the administration department in accordance with the Group's "Fixed Assets Management System". Furthermore, a comprehensive record keeping system should be established and project companies should be required to act according to such system to ensure proper filing of all relevant documents.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

Major deficiencies	Proposed Measures	Company's responses	Results of Shinewing's review on the implementation of Proposed Measures
11. Non-compliance with the Group's "Fixed Assets Management System"; and lack of proper record-keeping and sign-off for stock-take for fixed assets	The Company is recommended to (i) calculate depreciation of fixed assets according to the "life of assets" specified in the Group's "Fixed Assets Management System", or to amend the said system, if necessary; and (ii) require stock-take staff and his/her supervisor to complete and sign off fixed asset stock-take report.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
12. Lack of supporting documents on assessment of sustainability of power projects when they are transferred from construction in progress to fixed assets	The Company is recommended to arrange qualified professional and management to conduct sustainability test on power projects under construction to ensure timely and accurate transfer of construction-in-progress to fixed assets.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory
13. Lack of proper record keeping on borrower's credibility; lack of formal loan agreement and board approval regarding any borrowings made by the Group	The Company is recommended to strictly restrict borrowings to be made to external parties.  For all money lending by the members (including subsidiaries and associated companies) of the Group, the Company should prepare a detailed report on potential borrowers' credibility and repayment ability and submit the report to the Board for approval. The Company should consider and ensure that the lending complies with relevant disclosure requirements pursuant to the Listing Rules and relevant regulations. In addition, formal loan agreement should be entered into with principal terms including loan amount, repayment date and interest.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

Major deficiencies	Proposed Measures	Company's responses	Results of Shinewing's review on the implementation of Proposed Measures
14. Lack of proper record keeping for loan application and approval and lack of proper record keeping for external financial institutions' offer letters for comparison purposes	The Company is recommended to require the Group's investment/ financing department to (i) complete external financing application form and submit to the management for approval before obtaining external financing; (ii) submit external financial institutions' offer letters for management's selection and approval and (iii) maintain proper record keeping of the aforesaid documents.	The Company implemented the Proposed Measures in accordance with the recommendation of Shinewing in August 2016.	Satisfactory

### Conclusion

Shinewing has come to a conclusion that from their review of the Group's implementation of the Proposed Measures, their enquiries, observations and discussions with the management of the Company, as well as their examination of relevant documents and records, the Company has remediated all major internal control deficiencies.

Having considered the Internal Control Report including the implementation of the Proposed Measures by the Company, the Board and the Audit Committee are of the view that the Company's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.



## **RESUMPTION OF TRADING**

Trading in the shares of the Company has been suspended on the Stock Exchange from 9:00 a.m. on 1 April 2016. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on 15 December 2016.

Save as disclosed above, the Company is not aware of any inside information in relation to the Group that will need to be disclosed pursuant to the requirements under Rule 13.09 of the Listing Rules and under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

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

Hong Kong, 13 December 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*