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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)

MAJOR TRANSACTION FINANCE LEASE ARRANGEMENT

THE FINANCE LEASE AGREEMENT

On 12 April 2023, Hefei Lvjuyuan, as lessee, and CDB Leasing, as lessor entered into the Finance Lease Agreement, pursuant to which CDB Leasing shall purchase the Leased Assets from Hefei Lvjuyuan for a total consideration of RMB200,000,000. The Leased Assets would then be leased back to Hefei Lvjuyuan during the Lease Period. The legal ownership of the Leased Assets under the Finance Lease Agreement will be vested in CDB Leasing throughout the Lease Period. At the end of the Lease Period and subject to payments by Hefei Lvjuyuan of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the legal ownership of the Leased Assets will be vested in Hefei Lvjuyuan.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement, when aggregated with the Previous Finance Lease Agreement, is more than 25% but all of the applicable percentage ratios are lower than 75%, the entering into of the Finance Lease Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Finance Lease Arrangement is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Finance Lease Arrangement. Insofar as the Company is aware, no Shareholder has any material interest in the Finance Lease Arrangement. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Finance Lease Arrangement at the EGM. A circular containing, among other things, further details of the Finance Lease Arrangement, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 May 2023 as additional time is required to prepare the information to be included in the circular.

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A summary of the principal terms of the Finance Lease Agreement is set out below:

Sale and purchase arrangements and consideration

Pursuant to the Finance Lease Agreement, CDB Leasing would purchase the Leased Assets from Hefei Lvjuyuan for a total consideration of RMB200,000,000. The consideration would be payable in cash by CDB Leasing to Hefei Lvjuyuan, which was determined after arm's length negotiations between parties to the Finance Lease Agreement by reference to the prevailing market price of the Leased Assets.

The total consideration would be payable by CDB Leasing in two tranches after the fulfillment of certain conditions precedent as set out in the Finance Lease Agreement.

Conditions precedent

Under the Finance Lease Agreement, the First Consideration would be payable by CDB Leasing to Hefei Lvjuyuan after fulfillment of the following conditions precedent, which are waivable by CDB Leasing (other than the condition in (a) below):

- (a) the Transaction Documents having been executed and the approval from the Shareholders having been obtained for the Finance Lease Agreement and the transactions contemplated under it;
- (b) completion of the relevant registration procedures to ensure that CDB Leasing has obtained the second ranking priority in respect of the Existing Pledges;
- (c) CDB Leasing having received the relevant documentary proof from Hefei Lvjuyuan for settling all amounts due by Hefei Lvjuyuan to Datang Finance Leasing under the Datang Finance Leasing Arrangement for the purpose of the release of the Existing Pledges;
- (d) CDB Leasing having received all relevant documentary evidence showing that the Leased Assets having been insured in accordance with the requirements of CDB Leasing; and
- (e) the provision of other information and completion of relevant procedures as requested by CDB Leasing.

Under the Finance Lease Agreement, the Remaining Consideration shall be payable by CDB Leasing after fulfillment of the following conditions precedent, which are waivable by CDB Leasing:

- (a) CDB Leasing having received documentary evidence showing the full release of the Existing Pledges;
- (b) Within 30 days of the payment of the First Consideration by CDB Leasing, the completion of the relevant registration procedures in relation to the Pledges to ensure that CDB Leasing would have obtained the first priority in the Pledges; and
- (c) the receipt by CDB Leasing from Hefei Lvjuyuan of the relevant invoice and documents for the Leased Assets.

Lease back arrangements

Pursuant to the Finance Lease Agreement, CDB Leasing agreed to lease the Leased Assets back to Hefei Lvjuyuan for a term of 12 years.

Lease payments

Pursuant to the Finance Lease Agreement, the total estimated aggregate lease payments payable by Hefei Lvjuyuan to CDB Leasing shall be approximately RMB280,260,000 in 24 semi-annually instalments, being the principal lease cost of RMB200,000,000 plus the estimated aggregate interest of approximately RMB80,260,000. The estimated interests are calculated at a floating rate determined with reference to the LPR on 20 March 2023 at 4.3% plus 120 basis point. The lease interest rate shall be adjusted on 1st January of each calendar year during the Lease Period by reference to the corresponding change of the most recent LPR before the adjustment date. Hefei Lvjuyuan intends to finance the total lease payments by using the Group's internal resources.

The obligations of Hefei Lvjuyuan under the Finance Lease Agreement shall be secured by a corporate guarantee from Kong Sun Yongtai and the Pledges in favour of CDB Leasing.

Ownership of the Leased Assets

During the Lease Period, the legal ownership of the Leased Assets under the Finance Lease Agreement will be vested in CDB Leasing and Hefei Lvjuyuan will have the rights to use the Leased Assets. At the end of the Lease Period and subject to payments by Hefei Lvjuyuan of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the legal ownership of the Leased Assets will be vested in Hefei Lvjuyuan.

The estimated aggregate lease payments under the Finance Lease Agreement were determined after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the principal amounts of the lease or the consideration for the Leased Assets under the Finance Lease Agreement and the prevailing market interest rate for finance lease of comparable assets.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Transaction Documents and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations between the relevant parties and provide the Group with general working capital. The Directors therefore consider that the terms of the Transaction Documents and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE LEASED ASSETS

As at 31 December 2022, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets was approximately RMB224,684,000.

	For the year ended	
	31 December	
	2021	2022
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
The profit before tax attributable to the Leased Assets	6,684	6,709
The profit after tax attributable to the Leased Assets	<u>5,849</u>	<u>5,871</u>

INFORMATION ON HEFEI LVJUYUAN

As at 31 December 2022, the unaudited book value (prepared under the PRC GAAP) of Hefei Lvjuyuan was approximately RMB75,406,000.

	For the year ended	
	31 December	
	2021	2022
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
The profit before tax attributable to Hefei Lvjuyuan	1,541	4,011
The profit after tax attributable to Hefei Lvjuyuan	<u>1,541</u>	<u>4,011</u>

FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENT AND USE OF PROCEEDS

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Arrangement shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss. After deducting the incidental costs attributable to the Finance Lease Arrangement, the Group will receive net disposal proceeds of approximately RMB199,500,000 under the Finance Lease Arrangement. It is expected that the First Consideration will be used for settling all amounts due by Hefei Lvju Yuan to Datang Finance Leasing under the Datang Finance Leasing Arrangement for the purpose of the release of the Existing Pledges; and the Remaining Consideration will be used for general working capital of the Group.

INFORMATION ON THE COMPANY, KONG SUN YONGTAI, HEFEI LIUYUAN AND HEFEI LVJUYUAN

The Company is principally engaged in the investment in and operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services and asset management.

Kong Sun Yongtai is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in the investment and operation of solar-power plants.

Hefei Liuyuan is a company established in the PRC and a direct wholly-owned subsidiary of the Company, which is principally engaged in solar power generation. As at the date of this announcement, Hefei Liuyuan is wholly owned by Kong Sun Yongtai.

Hefei Lvju Yuan is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in solar power generation. As at the date of this announcement, Hefei Lvju Yuan is wholly owned by Hefei Liuyuan.

INFORMATION ON CDB FINANCIAL LEASING

CDB Leasing is a non-banking financial institution established in the PRC whose shares are listed on the main board of the Stock Exchange (Stock Code: 01606). CDB Leasing and its subsidiaries are principally engaged in providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, inclusive finance, new energy and manufacturing of high-end equipment. As at the date of this announcement, CDB Leasing is held as to (i) approximately 64.40% interest by 國家開發銀行 (China Development Bank*) (“CDB”); (ii) approximately 6.29% interest by 天津航空有限責任公司 (Tianjin Airlines Co., Ltd.*) (“**Tianjin Airlines**”); and (iii) approximately 5.43% interest by 中國長江三峽集團有限公司 (China Three Gorges Corporation*) (“CTG”).

CDB is a state-owned enterprise established in the PRC with limited liability. Based on publicly available information, CDB is held as to (i) approximately 36.54% interest by 中國財政部 (the Ministry of Finance of the PRC*); (ii) approximately 34.68% interest by 中國國務院 (the State Council of the PRC*) through 中央匯金投資有限責任公司 (Central Huijin Investment Ltd.*); and (iii) approximately 27.19% interest by 國家外匯管理局 (the State Administration of Foreign Exchange*) through 梧桐樹投資平台有限責任公司 (Buttonwood Investment Holding Company Ltd.*).

Tianjin Airlines is a company established in the PRC with limited liability. Based on publicly available information, Tianjin Airlines is held as to (i) approximately 48% interest by 海航集團有限公司 (HNA Group Company Ltd.*); (ii) approximately 47.82% interest by 海南航空控股股份有限公司 (Hainan Airlines Co., Ltd.*); and (iii) approximately 4.18% interest by 天津保稅區投資有限公司 (Tianjin Port Free Trade ZONE Investment Co., Ltd.*).

CTG is a state-owned enterprise established in the PRC with limited liability. Based on publicly available information, the ultimate beneficial owner is 國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council*).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, CDB Financial Leasing and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON DATANG FINANCE LEASING

Datang Finance Leasing is a company established in the PRC with limited liability, which is principally engaged in providing comprehensive leasing services. As at the date of this announcement, Datang Finance Leasing is owned as to 40% by 中國大唐集團資本控股有限公司 (China Datang Group Capital Holding Limited*) (“**China Datang Capital**”); 20% by 大唐國際發電股份有限公司 (Datang International Power Generation Company Limited*) (“**Datang International Power**”), a company listed on the Stock Exchange (stock code: 00991); 20% by 中國大唐海外(香港)有限公司 (China Datang Overseas (Hong Kong) Limited*) (“**China Datang Overseas**”); and 20% by 大唐新能源(香港)有限公司 (Datang Renewables (H.K.) Company Limited) (“**Datang Renewables HK**”). Both of China Datang Capital and China Datang Overseas are wholly owned by 中國大唐集團有限公司 (China Datang Corporation Limited*) (“**China Datang Corporation**”), which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. Datang International Power is owned as to 53.09% by China Datang Corporation and its subsidiaries. Datang Renewables HK is wholly owned by 中國大唐集團新能源股份有限公司 (China Datang Corporation Renewable Power Company Limited*), a company listed on the Stock Exchange (stock code: 1798).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Datang Finance Leasing and its ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement, when aggregated with the Previous Finance lease Agreement, is more than 25% but all of the applicable percentage ratios are lower than 75%, the entering into of the Finance Lease Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Finance Lease Arrangement is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Finance Lease Arrangement. Insofar as the Company is aware, no Shareholder has any material interest in the Finance Lease Arrangement. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Finance Lease Arrangement at the EGM. A circular containing, among other things, further details of the Finance Lease Arrangement, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 May 2023 as additional time is required to prepare the information to be included in the circular.

DEFINITIONS

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

“Board”	board of Directors
“CDB Leasing”	國銀金融租賃股份有限公司 (China Development Bank Financial Leasing Co., Ltd.*), a joint stock company established in the PRC with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01606)
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 295)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Datang Finance Leasing”	大唐融資租賃有限公司 (Datang Finance Leasing Limited*), a company established in the PRC with limited liability
“Datang Finance Leasing Arrangement”	the existing finance lease arrangement between Hefei Lvjuyuan and Datang Finance Leasing, with the outstanding amount of approximately RMB82,474,000 due from Hefei Lvjuyuan to Datang Finance Leasing

“Director(s)”	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, approve the Finance Lease Arrangement
“Existing Pledges”	the existing pledges of the entire equity interest in Hefei Lvjuyuan by Hefei Liuyuan and the Leased Assets in favour of Datang Finance Leasing to secure the Datang Finance Leasing Arrangement
“Finance Lease Agreement”	the finance lease agreement dated 12 April 2023 entered into between Hefei Lvjuyuan, as lessee, and CDB Leasing, as lessor, for the Leased Assets for a total consideration of RMB200,000,000
“Finance Lease Arrangement”	the transactions contemplated under the Transaction Documents
“First Consideration”	the first tranche of the consideration payment of approximately RMB82,474,000 (representing 41.2% of the total consideration for the Leased Assets)
“Group”	the Company and its subsidiaries
“Hefei Liuyuan”	合肥流遠光伏發電投資有限公司 (Hefei Liuyuan Photovoltaic Power Generation Investment Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hefei Lvjuyuan”	合肥綠聚源光伏發電有限公司 (Hefei Lvjuyuan Photovoltaic Power Generation Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who are independent of the Company and connected persons of the Company
“Kong Sun Yongtai”	江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holding Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Lease Period”	the lease period of 12 years commencing on the date of payment of the First Consideration by CDB Leasing

“Leased Assets”	certain photovoltaic power generating equipment and ancillary facilities regarding two of the 20MW photovoltaic power plants located in Hefei City, Anhui Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPR”	the loan prime rate for loans with a maturity of above 5 years as promulgated by the National Interbank Funding Centre under the authority of the People’s Bank of China
“MW”	megawatts
“Pledges”	collectively, (a) a pledge on the electricity bill receivables by Hefei Lvjuyuan (in the approximate amount of RMB24,330,000 as at 31 December 2022); (b) a pledge of the entire equity interest in Hefei Lvjuyuan by Hefei Liuyuan; and (c) a pledge on equipment and facilities relating to the Leased Assets in the approximate value of RMB224,684,000, all in favour of CDB Leasing
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Previous Finance Lease Agreement”	the finance lease agreement dated 7 March 2023 entered into between 嵊州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited*), as lessee, and CDB Leasing, as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 19.8MW photovoltaic power plant located in Sanjie Town, Shaoxing City, Zhejiang Province, the PRC, details of which are set out in the Company’s announcement dated 7 March 2023
“Remaining Consideration”	the remaining tranche of the consideration payment of RMB117,526,000 (representing 58.8% of the total consideration for the Leased Assets)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction Documents”	collectively, the Finance Lease Agreement, the Tripartite Agreement and the relevant agreements relating to the Pledges
“Tripartite Agreement”	the agreement dated 12 April 2023 entered into by and among CDB Leasing, Datang Finance Leasing and Hefei Lvjuyuan in relation to the settlement of the outstanding amount due from Hefei Lvjuyuan to Datang Finance Leasing under the Datang Finance Leasing Arrangement
“%”	per cent.

By order of the Board
Kong Sun Holdings Limited
Mr. Jiang Hengwen
Chairman and non-executive Director

Hong Kong, 12 April 2023

As of the date of this announcement, the Board comprises two executive Directors, Mr. Wang Shaoyuan and Mr. Xian He, one non-executive Director, Mr. Jiang Hengwen, and three independent non-executive Directors, Ms. Tang Yinghong, Ms. Wu Wennan and Mr. Xu Xiang.

* *For identification purposes only*