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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
CONNECTED TRANSACTION IN RELATION TO  
ACQUISITION OF 69.45% INTERESTS IN THE TARGET COMPANY**

Reference is made to the announcement of Kong Sun Holdings Limited (the “**Company**”) dated 28 December 2023 (the “**Announcement**”) in relation to the acquisition of 69.45% interests in the Target Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Company would like to provide the following additional information in respect of the valuation of the Target Company:

As disclosed in the Announcement, in arriving at the fair value of the Target Group, the Valuer adopted the asset-based approach to determine the value of identifiable assets and liabilities of the Target Group as set out in its unaudited consolidated balance sheet as at 30 November 2023 (the “**Valuation Benchmark Date**”), including, among others, the value of the property, plant and equipment, inventories and intangible assets.

The asset-based approach is a valuation approach for appraising the value of on-balance sheet and identifiable off-balance sheet assets and liabilities based on the balance sheet at the benchmark date of the valuation object. The asset-based approach was selected because the Target Company is a going concern and all assets and liabilities on-and-off balance sheet are identifiable and can be independently appraised according to an appropriate valuation method respectively. The valuation was supported by customary valuation assumptions, including those set out in the Announcement.

The table below sets out the carrying value and the fair value of the assets and liabilities of the Target Group as at the Valuation Benchmark Date:

|   | <b>Carrying value<br/>as at<br/>30 November<br/>2023<br/>RMB '000<br/>(unaudited)</b> | <b>Fair value<br/>as at<br/>30 November<br/>2023<br/>RMB '000<br/>(unaudited)</b> |
|---|---|---|
| <b>Assets</b>   |   |   |
| Property, plant and equipment   | 12,588  | 13,808  |
| Intangible assets   | 30,220  | 35,241  |
| Right-of-use asset  | 15,440  | 15,440  |
| Goodwill  | 1,390   | 1,390   |
| Prepayments, trade and other receivables  | 13,967  | 13,967  |
| Inventories   | 7,563   | 9,953   |
| Cash and bank balances  | 2,748   | 2,748   |
|   | <hr/>   | <hr/>   |
| <b>Total assets</b>   | <b>83,916</b>   | <b>92,547</b>   |
|   | <hr/> <hr/>   | <hr/> <hr/>   |
| <b>Liabilities</b>  |   |   |
| Trade and other payables  | 47,606  | 47,606  |
| Contract liabilities  | 4,445   | 4,445   |
| Amounts due to related parties  | 211,897   | 211,897   |
| Bank and other borrowings   | 49,912  | 49,912  |
| Lease liabilities   | 22,825  | 22,825  |
|   | <hr/>   | <hr/>   |
| <b>Total liabilities</b>  | <b>336,685</b>  | <b>336,685</b>  |
|   | <hr/> <hr/>   | <hr/> <hr/>   |
| <b>Net Liabilities</b>  |   |   |
| 100% equity value   | (252,769)   | (244,138)   |
| Add: Amount of shareholders' loan equitised                                       | 254,836   | 254,836   |
| 100% equity value (excluding the amount of shareholders' loan equitised), rounded | 2,067   | 10,698  |
|   | <hr/> <hr/>   | <hr/> <hr/>   |

As shown in the table above, the difference between the fair value of the entire equity value of the Target Company as at the Valuation Benchmark Date of approximately RMB10,698,000 and the unaudited net asset value (or carrying value) of the Target Company as at the Valuation Benchmark Date of approximately RMB2,067,000 was mainly attributable to the following items:

### *Inventories*

| <b>Item</b>       | <b>Carrying value</b><br><i>RMB'000</i> | <b>Fair value</b><br><i>RMB'000</i> | <b>Increase</b><br><i>RMB'000</i> | <b>Percentage of increase</b> |
|-------------------|---|-------------------------------------|-----------------------------------|-------------------------------|
| Raw materials     | 3,870                                   | 3,870                               | —                                 | —                             |
| Finished products | 3,693                                   | 6,083                               | 2,390                             | 65%                           |
| <b>Total</b>      | <b>7,563</b>                            | <b>9,953</b>                        | <b>2,390</b>                      | <b>32%</b>                    |

The fair value of the inventory was RMB2,390,000 higher than its carrying value because the carrying value of finished products only reflected the production cost, whereas the fair value took into account part of the profit based on the market selling price.

### *Property, plant and equipment*

| <b>Item</b>                   | <b>Carrying value</b><br><i>RMB'000</i> | <b>Fair value</b><br><i>RMB'000</i> | <b>Increase</b><br><i>RMB'000</i> | <b>Percentage of increase</b> |
|-------------------------------|---|-------------------------------------|-----------------------------------|-------------------------------|
| Property, plant and equipment | 12,588                                  | 13,808                              | 1,220                             | 10%                           |

The fair value of the property, plant and equipment was RMB1,220,000 higher than its carrying value, mainly because the accounting depreciation life of the equipment is shorter than the economic useful life used in the valuation.

### *Intangible assets*

| <b>Item</b>                            | <b>Carrying value</b><br><i>RMB'000</i> | <b>Fair value</b><br><i>RMB'000</i> | <b>Increase</b><br><i>RMB'000</i> | <b>Percentage of increase</b> |
|--|---|-------------------------------------|-----------------------------------|-------------------------------|
| Purchased software                     | 500                                     | 500                                 | —                                 | —                             |
| Trademarks                             | 20                                      | 230                                 | 210                               | 1050%                         |
| Patents and development expenses, etc. | 29,700                                  | 34,511                              | 4,811                             | 16%                           |
| <b>Total</b>                           | <b>30,220</b>                           | <b>35,241</b>                       | <b>5,021</b>                      | <b>17%</b>                    |

The fair value of intangible assets was RMB5,021,000 higher than their carrying value, mainly because some of the Target Company's patents and copyrights have been expensed and had no carrying value. Their fair value was recalculated based on the actual amount of materialised labor and living labor expenses during the formation of intangible assets, and a depreciation rate of 16.69% with reference to the remaining statutory useful life and legal useful life, which resulted in an increase in value compared with the carrying value.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the valuation of the Target Company conducted by the Valuer is fair and reasonable and the consideration for the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 8 January 2024

*As of the date of this announcement, the Board comprises one executive Director, 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.*