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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
IN RELATION TO
PROPOSED DISPOSAL OF DOMESTIC SHARES IN BANK OF JINZHOU**

THE PROPOSED DISPOSAL

Reference is made to the Company's announcement dated 2 February 2024 in relation to the Domestic Share Offer.

On 6 March 2024, the Board resolved, subject to obtaining the approval of the Shareholders, to accept the Domestic Share Offer in respect of all the 107,500,000 Jinzhou Domestic Shares held by Kong Sun Yongtai (representing approximately 1.03% of the total issued Jinzhou Domestic Shares and approximately 0.77% of the total issued shares of the Bank of Jinzhou as at the date of this announcement) at the Offer Price of RMB1.25 per Jinzhou Domestic Share, and the total consideration to be received by Kong Sun Yongtai under the Domestic Share Offer will be RMB134,375,000.

Immediately upon completion of the Proposed Disposal, the Group will cease to have any interest in the Bank of Jinzhou.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal is above 25% but less than 75%, the Proposed Disposal constitutes a major transaction for the Company 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 Proposed Disposal. A circular containing, among other things, further details of the Proposed Disposal, 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 28 March 2024.

Completion of the Proposed Disposal is conditional upon the Shareholders' approval having been obtained and the Domestic Share Offer being declaring unconditional. Accordingly, the Proposed Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

THE PROPOSED DISPOSAL

Reference is made to the Company's announcement dated 2 February 2024 in relation to the Domestic Share Offer.

Pursuant to the Composite Document, among others, the Offeror made the Domestic Share Offer to acquire all of the issued Jinzhou Domestic Shares (other than those already held by the Offeror and its concert parties). On 6 March 2024, the Board resolved, subject to obtaining the approval of the Shareholders, to accept the Domestic Share Offer in respect of all the 107,500,000 Jinzhou Domestic Shares held by Kong Sun Yongtai.

The principal terms of the Proposed Disposal are summarised as follows:

The Proposed Disposal

Jinzhou Domestic Shares subject to the Domestic Share Offer

The 107,500,000 Jinzhou Domestic Shares held by Kong Sun Yongtai represent approximately 1.03% of the total issued Jinzhou Domestic Shares and approximately 0.77% of the total issued shares of the Bank of Jinzhou as at the date of this announcement.

Following completion of the Proposed Disposal, the Group will cease to have any interest in the Bank of Jinzhou.

The Offer Price

The Offer Price is RMB1.25 per Jinzhou Domestic Share and the total consideration to be received by Kong Sun Yongtai under the Domestic Share Offer will be RMB134,375,000.

The Offer Price of RMB1.25 is the RMB equivalent of the offer price under the H Share Offer of HK\$1.38, which, according to the Composite Document:

- (a) equals to the closing price of HK\$1.38 per Jinzhou H Share as quoted on the Stock Exchange on 19 January 2023 (the “**Last Trading Date**”);
- (b) represents a premium of approximately 0.31% over the average closing price of approximately HK\$1.38 per Jinzhou H Share, being the average closing price of the Jinzhou H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;
- (c) represents a premium of approximately 15.35% over the average closing price of approximately HK\$1.20 per Jinzhou H Share, being the average closing price of the Jinzhou H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;
- (d) represents a premium of approximately 43.01% over the average closing price of approximately HK\$0.97 per Jinzhou H Share, being the average closing price of the Jinzhou H Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date;
- (e) represents a premium of approximately 36.46% over the average closing price of approximately HK\$1.01 per Jinzhou H Share, being the average closing price of the Jinzhou H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date; and
- (f) represents a discount of approximately 71.94% to the net asset value per share attributable to the ordinary shareholders of the Bank of Jinzhou as at 30 June 2022 (i.e. RMB4.21 per share, based on the mid-rate of the exchange rate between HK\$ and RMB as at 30 June 2022) (based on a total of 13,981,615,684 shares in issue, the Jinzhou Group’s unaudited total shareholders’ equity attributable to the Bank of Jinzhou of approximately HK\$80,334,389,000 and other equity instruments of approximately HK\$11,573,291,000 as at 30 June 2022 (extracted from the Bank of Jinzhou’s interim report for the six months ended 30 June 2022, based on the mid-rate of the exchange rate between HK\$ and RMB as at 30 June 2022)).

As disclosed in the Composite Document:

- (a) settlement of consideration under the Domestic Share Offer will be made via wire transfer by the Offeror no later than seven (7) business days following the later of (i) the date on which the Domestic Share Offer becomes or is declared unconditional in all respects and (ii) the date on which the registration and transfer to the Offeror of all the Jinzhou Domestic Shares tendered for acceptance under the Domestic Share Offer by the relevant shareholder has been completed;
- (b) pursuant to applicable rules of China Securities Depository and Clearing Corporation Limited, a transfer fee of 0.025%, being a fee of RMB0.00025 per Jinzhou Domestic Share, may be required to be paid by the Offeror and Kong Sun Yongtai under the Domestic Share Offer in equal shares (with a cap of RMB100,000 for each party); and
- (c) a PRC stamp duty arising in connection with acceptances of the Domestic Share Offer will be payable by Kong Sun Yongtai and the Offeror respectively at a rate of 0.05% of the total consideration in accordance with the stamp duty law of the PRC.

Conditions precedent

The Proposed Disposal is subject to fulfilment of the following conditions, which are non-waivable:

- (i) the Shareholders having approved the Proposed Disposal at the EGM; and
- (ii) the conditions as set out in the section headed “Conditions to the Offers” in the Composite Document having been fulfilled or waived (as applicable).

Completion

Subject to the Shareholders having approved the Proposed Disposal at the EGM, Yong Sun Yongtai will tender the 107,500,000 Jinzhou Domestic Shares held by it for acceptance under the Domestic Share Offer by 12 April 2024, being the latest time and date for the Domestic Share Offer remaining open for acceptance on the final closing date according to the Composite Document.

For details of the timeline of the Domestic Share Offer, please refer to the expected timetable set out in the Composite Document.

INFORMATION ON THE BANK OF JINZHOU

The Bank of Jinzhou is a joint stock company incorporated in the PRC with limited liability. It is a regional commercial bank. Its scope of business includes taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and foreign settlements; issuing financial debentures and engaging in interbank lending etc.

The financial information of the Jinzhou Group (prepared in accordance with International Financial Reporting Standards) for the two years ended 31 December 2021 as set out in “Appendix II – Financial Information of the Group” in the Composite Document is as follows:

	For the year ended	
	31 December	
	2020	2021
	(Audited)	(Audited)
	RMB '000	RMB '000
Net profit before tax	328,147	523,989
Net profit after tax	153,527	102,339

The unaudited net asset value of the Jinzhou Group as at 30 June 2022 was approximately RMB70,989,872,000.

INFORMATION ON THE PARTIES INVOLVED IN THE PROPOSED DISPOSAL

As at the date of this announcement, 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 and construction of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

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.

According to the Composite Document, the Offeror is a company incorporated in the PRC with limited liability and its scope of business includes: investment and capital management; capital investment services non-public offering of securities investment funds; holding company services; financial information services. The sole shareholder of the Offeror is the Department of Finance of Liaoning Province, which holds 100% of the shares in the Offeror. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Offeror and its ultimate beneficial owner is independent of the Company and connected persons of the Company.

REASONS AND BENEFITS FOR THE PROPOSED DISPOSAL

The Proposed Disposal was initiated as a result of the Domestic Share Offer. According to the letter from Gram Capital Limited, the independent financial adviser appointed by the Bank of Jinzhou to advise its independent board committee in relation to the H Share Offer and the Domestic Share Offer, as contained in the Composite Document, Gram Capital Limited took the view that the H Share Offer and the Domestic Share Offer (including the offer prices) are fair and reasonable so far as the independent shareholders of the Bank of Jinzhou are concerned, having taken into account factors including (i) some of the Jinzhou Group's customers have entered into bankruptcy reorganisation proceedings and some of the other customers' assets held by the Jinzhou Group have become delinquent, which are expected to have a material adverse impact on the financial and business conditions of the Jinzhou Group; and (ii) the trading prices and volume of the Jinzhou H Shares and the net asset value of the Jinzhou Group. Accordingly, the Board agreed that the Domestic Share Offer would be a good exit opportunity for the Group to realise the investment in the Jinzhou Domestic Shares. The Company expects to receive net proceeds from the Proposed Disposal in the amount of approximately RMB133,500,000 and intend to apply the proceeds to general working capital by 31 December 2024.

In light of the above, the Directors are of the view that the Proposed Disposal was entered into on normal commercial terms and the terms of the Proposed Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

The 107,500,000 Jinzhou Domestic Shares are classified as financial assets measured at fair value through other comprehensive income of the Group in its consolidated financial statements, with an aggregate unaudited carrying value of approximately RMB129,543,000 as at 31 December 2023. Subject to final audit, the Group expects to record a gain of approximately RMB3,957,000 as a result of the Proposed Disposal, being the difference between the net proceeds receivable under the Proposed Disposal of approximately RMB133,500,000 and the unaudited carrying value of the relevant Jinzhou Domestic Shares as at 31 December 2023.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal is above 25% but less than 75%, the Proposed Disposal constitutes a major transaction for the Company 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 Proposed Disposal. A circular containing, among other things, further details of the Proposed Disposal, 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 28 March 2024.

Completion of the Proposed Disposal is conditional upon the Shareholders’ approval having been obtained and the Domestic Share Offer being declaring unconditional. Accordingly, the Proposed Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Bank of Jinzhou”	Bank of Jinzhou Co., Ltd.* (錦州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 0416)
“Board”	the board of Directors
“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)
“Composite Document”	the composite offer and response document dated 23 February 2024 jointly issued by the Offeror and the Bank of Jinzhou in respect of, among other things, the H Share offer and the Domestic Share Offer
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share Offer”	the voluntary conditional cash offer to be made by the Offeror to acquire all of the Jinzhou Domestic Shares (other than those owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it)
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve the Proposed Disposal
“Group”	the Company and its subsidiaries

“H Share Offer”	the voluntary conditional cash offer to be made by China International Capital Corporation Hong Kong Securities Limited on behalf of the Offeror to acquire all of the Jinzhou H Shares (other than those agreed to be acquired by the Offeror and parties acting in concert with it)
“HK\$”	Hong Kong dollar, the currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinzhou Domestic Shares”	ordinary share(s) in the capital of the Bank of Jinzhou, with a nominal value of RMB1.00, which are subscribed for and paid up in RMB
“Jinzhou Group”	the Bank of Jinzhou and its subsidiaries
“Jinzhou H Shares”	the H share(s) of the Bank of Jinzhou which are listed on the Stock Exchange
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offeror”	Liaoning Financial Holding Group Co., Ltd.* (遼寧金融控股集團有限公司)
“Offer Price”	the cash offer price of the Domestic Share Offer, being RMB1.25 per Jinzhou Domestic Share
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of 107,500,000 Jinzhou Domestic Shares by Kong Sun Yongtai pursuant to the Domestic Share Offer
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 6 March 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.

* *For identification purpose only*