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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 27 February 2023, Dingbian County Zhixinda, as lessee, and Huadian Financial Leasing, as lessor, entered into the Finance Lease Agreement, pursuant to which Huadian Financial Leasing shall purchase the Leased Assets from Dingbian County Zhixinda for a total consideration of RMB260,000,000. The Leased Assets would then be leased back to Dingbian County Zhixinda for a term of 10 years. The ownership of the Leased Assets under the Finance Lease Agreement will be vested in Huadian Financial Leasing throughout the Lease Period. Upon the expiry of the Lease Period and subject to payments by Dingbian County Zhixinda of all amounts due under the Finance Lease Agreement and no breach of the Finance Lease Agreement by Dingbian County Zhixinda (or such breach having been remedied despite its occurrence), Dingbian County Zhixinda shall be entitled to purchase the Leased Assets on an “as-is” basis at a nominal consideration of RMB1.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Finance Lease Arrangement is 25% or more but all of them are lower than 75%, the entering into of the Finance Lease Arrangement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and 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 March 2023 as additional time is required to prepare the information to be included in the circular.

THE FINANCE LEASE AGREEMENT

On 27 February 2023, Dingbian County Zhixinda, as lessee, and Huadian Financial Leasing, as lessor, entered into the Finance Lease Agreement, pursuant to which Huadian Financial Leasing shall purchase the Leased Assets from Dingbian County Zhixinda for a total consideration of RMB260,000,000. The Leased Assets would then be leased back to Dingbian County Zhixinda for a term of 10 years. The ownership of the Leased Assets under the Finance Lease Agreement will be vested in Huadian Financial Leasing throughout the Lease Period. Upon the expiry of the Lease Period and subject to payments by Dingbian County Zhixinda of all amounts due under the Finance Lease Agreement and no breach of the Finance Lease Agreement by Dingbian County Zhixinda (or such breach having been remedied despite its occurrence), Dingbian County Zhixinda shall be entitled to purchase the Leased Assets on an “as-is” basis at a nominal consideration of RMB1. On 27 February 2023, Dingbian County Zhixinda and Huadian Financial Leasing entered into the Advisory Service Agreement pursuant to which Huadian Financial Leasing agreed to provide to Dingbian County Zhixinda advisory services in relation to the analysis of the Photovoltaic Power Generation Project for an advisory fee of RMB3,900,000.

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, Dingbian County Zhixinda shall sell the Leased Assets to Huadian Financial Leasing for a total consideration of RMB260,000,000. The consideration shall be payable in cash by Huadian Financial Leasing to Dingbian County Zhixinda, which was determined after arm’s length negotiations between parties to the Finance Lease Agreement with reference to the prevailing market price of the Leased Assets.

The consideration shall be payable by Huadian Financial Leasing within 90 business days after the fulfillment of certain conditions precedent as set out in the Finance Lease Agreement.

Conditions precedent

Payment of the consideration under the Finance Lease Agreement is subject to fulfilment of the following conditions precedent:

- (a) the Finance Lease Agreement having taken effect and the receipt by Huadian Financial Leasing from Dingbian County Zhixinda of the internal authorization documents, approval (if any) and announcements (if any) required for the financing leasing business (including but not limited to the approval by the Shareholders in relation to the Finance Lease Arrangement in accordance with the requirements of the Listing Rules), the relevant approval by the competent authorities required for the transactions contemplated under the Finance Lease Agreement and all other documents that Huadian Financial Leasing considers should be provided by Dingbian County Zhixinda;
- (b) the relevant guarantee and security agreements and other relevant legal documents in connection with the Finance Lease Agreement having been executed and taken effect; and the receipt by Huadian Financial Leasing from the guarantor of the internal authorization documents, approval (if any) and announcements (if any) required for the aforesaid guarantee and security, all other documents that Huadian Financial Leasing considers should be provided by the guarantor and the relevant proof of registration of the aforesaid guarantee and security (if applicable);
- (c) the completion of the relevant registration procedures in relation to the Finance Lease Agreement and the Leased Assets;
- (d) the receipt by Huadian Financial Leasing from Dingbian County Zhixinda of the relevant invoice and documents for the Leased Assets and advisory service fees;
- (e) the receipt and acceptance by Huadian Financial Leasing from Dingbian County Zhixinda of (i) the payment notice and (ii) the table of estimated rental payment;
- (f) the Leased Assets having been insured in accordance with the Finance Lease Agreement and Huadian Financial Leasing shall be the first beneficiary of the relevant insurance;
- (g) Changshu Honglue having pledged its entire equity interest in Dingbian County Zhixinda to Huadian Financial Leasing and having completed the relevant registration procedures for such pledge to ensure Huadian Financial Leasing has obtained the first priority in the order of repayment for security interests in respect of such equity interest;
- (h) Dingbian County Zhixinda ceasing to undertake the joint and several guarantee in relation to certain loan and Huadian Financial Leasing has received an agreement in relation to this release of guarantee and has verified the relevant facts;
- (i) the provision of other information as requested by Huadian Financial Leasing;

- (j) there being no breach of the Finance Lease Agreement by Dingbian County Zhixinda;
- (k) there being no material adverse change in respect of Dingbian County Zhixinda, the relevant guarantor and the Leased Assets; and
- (l) there being no significant change in relation to the national fiscal, tax and financial regulatory policies and the financing cost.

Lease back arrangements

Pursuant to the Finance Lease Agreement, Huadian Financial Leasing agreed to lease the Leased Assets back to Dingbian County Zhixinda for a term of 10 years.

Lease payments

Pursuant to the Finance Lease Agreement, the total estimated aggregate lease payments payable by Dingbian County Zhixinda to Huadian Financial Leasing shall be approximately RMB349,842,000 in 40 quarterly instalments, being the principal lease cost of RMB260,000,000 plus the estimated aggregate interest of approximately RMB89,842,000. The estimated interests are calculated at a floating rate determined with reference to 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 (the "LPR") on 22 October 2022 at 4.3% for the first 4 instalments and at such rate plus 110 basis point for the subsequent instalments. Following the payment of the 4th instalment of the lease payments, 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. Dingbian County Zhixinda intends to finance the total lease payments by using the Group's internal resources.

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.

Ownership of the Leased Assets

During the Lease Period, the ownership of the Leased Assets under the Finance Lease Agreement will be vested in Huadian Financial Leasing and Dingbian County Zhixinda has the rights to use the Leased Assets. Upon the expiry of the Lease Period and subject to payments by Dingbian County Zhixinda of all amounts due under the Finance Lease Agreement and no breach of the Finance Lease Agreement by Dingbian County Zhixinda (or such breach having been remedied despite its occurrence), Dingbian County Zhixinda shall be entitled to purchase the Leased Assets on an "as-is" basis at a nominal consideration of RMB1.

Guarantee and security arrangement

The obligations of Dingbian County Zhixinda under the Finance Lease Agreement and the Advisory Service Agreement shall be secured by the pledge in respect of the Leased Assets, the equity interest in Dingbian County Zhixinda and receivables of Dingbian County Zhixinda and the relevant obligations of Dingbian County Zhixinda will also be guaranteed by Kong Sun Yongtai.

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 RMB411,030,000.

	For the year ended	
	31 December	
	2021	2022
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
The profit before tax attributable to the Leased Assets	19,844	15,589
The profit after tax attributable to the Leased Assets	18,650	13,943

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 Transaction Documents 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 RMB255,500,000 under the Finance Lease Arrangement, which is expected to be used for general working capital.

INFORMATION ON THE COMPANY, DINGBIAN COUNTY ZHIXINDA, CHANGSHU HONGLUE, KONG SUN NEW ENERGY AND KONG SUN YONGTAI

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.

Dingbian County Zhixinda is a company established in the PRC and an indirect wholly-owned subsidiary of the Company and is principally engaged in solar power generation.

Changshu Honglue 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, Dingbian County Zhixinda is wholly owned by Changshu Honglue.

Kong Sun New Energy is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

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.

INFORMATION ON HUADIAN FINANCIAL LEASING

Huadian Financial Leasing is a financial leasing company established with approval by Tianjin Commission of Commerce in the PRC. Huadian Financial Leasing is principally engaged in the finance lease and factoring businesses and the provision of related advisory services. The State-owned Assets Supervision and Administration Commission of the State Council indirectly holds 80.01% of its equity interest through China Huadian.

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

IMPLICATIONS UNDER THE LISTING RULES

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

As none of the Director is interested in the Finance Lease Arrangement, no Director has abstained from voting on the relevant Board resolutions approving the Finance Lease Arrangement.

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 March 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:

“Advisory Service Agreement”	the advisory service agreement dated 27 February 2023 entered into between Dingbian County Zhixinda and Huadian Financial Leasing, pursuant to which Huadian Financial Leasing agreed to provide to Dingbian County Zhixinda advisory services in relation to the analysis of the Photovoltaic Power Generation Project for an advisory fee of RMB3,900,000
“Board”	board of Directors
“Changshu Honglue”	常熟宏略光伏電站開發有限公司 (Changshu Honglue Photovoltaic Power Plants Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China Huadian”	China Huadian Corporation Limited* (中國華電集團有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“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
“Dingbian County Zhixinda”	定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Directors”	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
“Finance Lease Agreement”	the finance lease agreement dated 27 February 2023 entered into between Dingbian County Zhixinda and Huadian Financial Leasing for the sale and the finance leasing arrangements in respect of the Leased Assets, the principal terms of which are summarized in the section headed “The Finance Lease Agreement” in this announcement
“Finance Lease Arrangement”	the transactions contemplated under the Transaction Documents
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huadian Financial Leasing”	華電融資租賃有限公司 (Huadian Financial Leasing Co., Ltd.*), a company established in the PRC with limited liability
“Independent Third Party(ies)”	party(ies) who are independent of the Company and connected persons of the Company
“Kong Sun New Energy”	江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary 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 10 years commencing on the date of payment of the total consideration for the Leased Assets by Huadian Financial Leasing
“Leased Assets”	certain photovoltaic power generating equipment and ancillary facilities regarding a 50MW photovoltaic power plant located in Yulin City, Shaanxi Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LPR”	has the meaning ascribed to it under the paragraph headed “Lease payments” under the section headed “The Finance Lease Agreement” in this announcement
“MW”	megawatts
“Photovoltaic Power Generation Project”	the photovoltaic power generation project located in Yulin City, Shaanxi Province, the PRC with planned construction capacity of 50MW
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	generally accepted accounting principles of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	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 Advisory Service Agreement and the security and other ancillary agreements
“%”	per cent.

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

Hong Kong, 28 February 2023

As of the date of this announcement, the Board comprises two executive Directors, Mr. Xian He and Mr. Wang Shaoyuan, 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*