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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)**

### **VERY SUBSTANTIAL DISPOSAL DISPOSALS OF SUBSIDIARIES**

#### **THE DISPOSALS**

On 10 July 2021, Kong Sun Yongtai, a wholly-owned subsidiary of the Company, the Purchaser and the Project Companies, among others, entered into the Disposal Agreements, pursuant to which Kong Sun Yongtai, together with the other relevant vendors (as the case may be), conditionally agreed to sell the entire equity interests in the Project Companies (which hold in total seven (7) solar power projects in the PRC) to the Purchaser for a total consideration of approximately RMB1,285,814,000.

Upon completion of the Disposals, the Project Companies will cease to be subsidiaries of the Company and the results of operation of the Project Companies will cease to be consolidated in the Company's financial statements.

Following completion of the Disposals, the Group will continue to provide the Guarantees in respect of certain existing borrowings of the First Project Company, the Second Project Company and the Fourth Project Company until the Guarantees are released. The Purchaser is required to procure the release of the Guarantees within 90 days of completion of the First Disposal, the Second Disposal and the Fourth Disposal (as the case may be).

#### **LISTING RULES IMPLICATIONS**

##### **The Disposals**

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, are more than 75%, the transactions contemplated under the Disposal Agreements constitute a very substantial disposal 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 one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Guarantees is 5% or more but all of them are lower than 25%, these Guarantees constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **General**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal Agreements and the transactions contemplated thereunder. Insofar as the Company is aware, none of the Shareholders has any material interest in the Disposals. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposal Agreements and the transactions contemplated thereunder at the EGM. A circular containing, among other things, further details of the Disposals and the Guarantees, the financial information of the Group, the financial information and the valuation report of the Project Companies, 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 13 August 2021 as additional time is required to prepare the information to be included in the circular.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Friday, 2 July 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Monday, 12 July 2021.

**Completion of the Disposals is conditional upon satisfaction of certain conditions precedent. Completion of each of the Disposals is not inter-conditional upon each other. Accordingly, the Disposals may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

### **THE DISPOSALS**

On 10 July 2021, Kong Sun Yongtai, a wholly-owned subsidiary of the Company, the Purchaser and the Project Companies, among others, entered into the Disposal Agreements, pursuant to which Kong Sun Yongtai, together with the other relevant vendors (as the case may be), conditionally agreed to sell the entire equity interests in the Project Companies (which hold in total seven (7) solar power projects in the PRC) to the Purchaser for a total consideration of approximately RMB1,285,814,000.

The principal terms of the Disposal Agreements are summarized as follows:

## **PRINCIPAL TERMS OF THE DISPOSAL AGREEMENTS**

### **(A) The First Agreement**

#### *Subject matter*

On 10 July 2021, Kong Sun Yongtai, the Purchaser and the First Project Company entered into the First Agreement, pursuant to which Kong Sun Yongtai conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the First Sale Equity Interest. The Company agreed to guarantee the obligations of Kong Sun Yongtai in favour of the Purchaser under the First Agreement.

#### *Consideration*

The consideration for the First Disposal is approximately RMB37,474,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB22,485,000, representing approximately 60.00% of the consideration for the First Disposal, shall be paid into the Escrow Account before completion of the First Disposal (the “**First Earnest Money**”) and shall be transferred to Kong Sun Yongtai within five (5) business days after completion of the First Disposal;
- (ii) an amount of approximately RMB10,283,000, representing approximately 27.44% of the consideration for the First Disposal, shall be paid to Kong Sun Yongtai within five (5) business days after completion of handover of certain deliverables relating to the First Project Company; and
- (iii) within ten (10) business days upon each receipt of the First Project Company of the state renewable energy subsidies from the State Grid Corporation of China, up to a total amount of approximately RMB4,706,000, representing approximately 12.56% of the consideration for the First Disposal shall be paid to Kong Sun Yongtai.

#### *Repayment of the First Debts*

As at the Reference Date, the First Project Company had the outstanding First Debts in the amount of approximately RMB10,817,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, which shall be payable by the First Project Company to Kong Sun Yongtai in cash in the following manner:

- (i) an amount of approximately RMB9,598,000, shall be settled by the First Project Company within five (5) business days after completion of the Transition Period Audit; and

- (ii) a corresponding amount up to a total amount of up to approximately RMB1,219,000, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of certain rectification works items of the First Project by Kong Sun Yongtai required by the Purchaser. The rectification works shall be completed not later than within twenty-four (24) months after completion of the First Disposal. The estimated cost of such rectification works items of the First Project is approximately RMB1,219,000.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the First Disposal. In the event of any change of net assets value of the First Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment. The Purchaser has the right to request compensation from Kong Sun Yongtai.

#### *Default*

If the Purchaser fails to pay the consideration for the First Disposal pursuant to the terms of the First Agreement or the First Project Company fails to repay the First Debts pursuant to the terms of the First Agreement, Kong Sun Yongtai has the right to request the Purchaser and the First Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the First Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB3,747,000, representing approximately 10.00% of the consideration for the First Disposal and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Kong Sun Yongtai will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Kong Sun Yongtai, Kong Sun Yongtai may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

#### *Conditions Precedent*

Completion of the First Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Kong Sun Yongtai obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the First Disposal and the First Guarantee;

- (b) the written consent from Agricultural Bank in respect of the First Disposal regarding the Agricultural Bank Loan;
- (c) Kong Sun Yongtai, its related parties and the First Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the First Project Company will be netted off;
- (d) the Purchaser having paid the First Earnest Money into the Escrow Account;
- (e) the representations and warranties provided by Kong Sun Yongtai as at the date of the First Agreement and the First Completion Date being true, complete and accurate in all material respects; and
- (f) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the First Agreement.

Kong Sun Yongtai shall use its best efforts to procure satisfaction of the conditions precedent (a) and (e) on or before the Long Stop Date. If Kong Sun Yongtai fails to fulfil its obligation, pursuant to the terms of the First Agreement, the Purchaser will be entitled to: (1) terminate the First Agreement; (2) negotiate with Kong Sun Yongtai to postpone the Long Stop Date; and (3) waive the condition precedent (e).

In the event that the Purchaser fails to satisfy the condition precedent (f), Kong Sun Yongtai may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Kong Sun Yongtai for the losses incurred; Kong Sun Yongtai has the right to terminate the First Agreement and require damages of approximately RMB3,474,000 if the Purchaser has not satisfied such condition precedent during the grace period.

#### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the First Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the First Project Company.

During the Transition Period, Kong Sun Yongtai shall ensure that, among other things, the First Project Company will continue its normal business operations in accordance with its past practices. No encumbrances or other third party rights will be created with respect to the equity interest in the First Project Company without the prior written consent of the Purchaser.

#### *Termination of the First Guarantee*

The amount of the First Guarantee is the amount of the Agricultural Bank Loan. Pursuant to the First Agreement, by no later than ninety (90) days after completion of the First Disposal, the Purchaser shall procure the release of the First Guarantee by Agricultural Bank. In the event that the Purchaser does not procure completion of the release of the First Guarantee within ninety (90) days after completion of the First Disposal, Kong Sun Yongtai shall have the right to seek for damages from the

Purchaser and default penalty incurred thereunder calculated at a daily percentage rate of 0.05% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the First Guarantee within ninety (90) days after completion of the First Disposal, Kong Sun Yongtai shall have the right to rescind the First Agreement, and seek for damages from the Purchaser in the amount of not more than RMB3,474,000 and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

The continuation of the First Guarantee was agreed after an arm's length negotiation between the parties and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the First Agreement. In view of the financial stress that the Group is encountering though the terms and conditions of the First Guarantee may not be ideal, the Directors consider that the First Disposal and the First Guarantee are still the best available option under the circumstances for the Company to cut losses and streamline its operation at an appropriate timing after identifying the Purchaser. The First Guarantee would also facilitate Agricultural Bank to provide its written consent regarding the First Disposal in respect of the Agricultural Bank Loan, which is a condition precedent under the First Agreement. Without the First Guarantee, completion of the First Disposal may be prolonged given it will take time for Kong Sun Yongtai and the Purchaser to explain to the Agricultural Bank for the change in control of the First Project Company and to get the consent from the Agricultural Bank for the purpose of satisfaction of the condition precedent under the First Agreement. In the worst case scenario where the Purchaser fails to procure release of the First Guarantee within ninety (90) days after completion of the First Disposal, Kong Sun Yongtai shall have the right to rescind the First Agreement. On the above basis, the continuation of the First Guarantee for a short period of time after completion of the First Disposal is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

## **(B) The Second Agreement**

### *Subject matter*

On 10 July 2021, Kong Sun Yongtai, China Resources Szitic Trust, the Purchaser and the Second Project Company entered into the Second Agreement, pursuant to which Kong Sun Yongtai conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Second Sale Equity Interest. The Company agreed to guarantee the obligations of Kong Sun Yongtai in favour of the Purchaser under the Second Disposal Agreement.

As at the date of this announcement, the Second Project Company is held by China Resources Szitic Trust as a trustee because of the equity pledge arrangement for the CDB Loan but is still accounted as a subsidiary of the Group. CDB Leasing will terminate the pledge arrangement before the completion of the Second Disposal and instruct China Resources Szitic Trust to allocate the equity in the Second Project Company to Kong Sun Yongtai according to the current status, and Kong Sun Yongtai is not required to pay any consideration.



### *Consideration*

The consideration for the Second Disposal is approximately RMB21,401,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB7,490,000, representing approximately 35.00% of the consideration for the Second Disposal, shall be paid into the Escrow Account before completion of the Second Disposal (the “**Second Earnest Money**”) and shall be transferred to Kong Sun Yongtai within five (5) business days after completion of the Second Disposal;
- (ii) an amount of approximately RMB1,713,000, representing approximately 8.00% of the consideration for the Second Disposal, shall be paid to Kong Sun Yongtai within five (5) business days after completion of handover of certain deliverables relating to the Second Project Company; and
- (iii) within ten (10) business days upon each receipt of the Second Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, up to a total amount of approximately RMB12,198,000, representing approximately 57.00% of the consideration for the Second Disposal shall be paid to Kong Sun Yongtai.

### *Repayment of the Second Debts*

As at the Reference Date, the Second Project Company had the outstanding Second Debts in the amount of approximately RMB115,814,000. The Second Debts, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, which shall be payable by the Second Project Company to Kong Sun Yongtai in cash in the following manner:

- (i) an amount of approximately RMB111,471,000, shall be settled by the Second Project Company within five (5) business days after completion of the Transition Period Audit; and
- (ii) a corresponding amount up to a total amount of up to approximately RMB4,343,000, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of each of certain rectification works items of the Second Project by Kong Sun Yongtai required by the Purchaser. The rectification works shall be completed not later than within twenty-four (24) months after completion of the Second Disposal. The estimated cost of such rectification works items of the Second Project is approximately RMB4,343,000.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Second Disposal. In the event of any change of net assets value of the Second Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment. The Purchaser has the right to request compensation from Kong Sun Yongtai.

### *Default*

If the Purchaser fails to pay the consideration for the Second Disposal pursuant to the terms of the Second Agreement or the Second Project Company fails to repay the Second Debts pursuant to the terms of the Second Agreement, Kong Sun Yongtai has the right to request the Purchaser and the Second Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the Second Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB2,140,000, representing approximately 10.00% of the consideration for the Second Disposal and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Kong Sun Yongtai will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Kong Sun Yongtai, Kong Sun Yongtai may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

### *Conditions Precedent*

Completion of the Second Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Kong Sun Yongtai obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Second Disposal and the Second Guarantee;
- (b) Kong Sun Yongtai, its related parties and the Second Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Second Project Company will be netted off;
- (c) the written consent from CDB Leasing in respect of the Second Disposal regarding the CDB Loan;
- (d) the Purchaser having paid the Second Earnest Money into the Escrow Account;
- (e) the representations and warranties provided by Kong Sun Yongtai as at the date of the Second Agreement and the Second Completion Date being true, complete and accurate in all material respects; and



- (f) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Second Agreement.

Kong Sun Yongtai shall use its best efforts to procure satisfaction of the conditions precedent (a) and (e) on or before the Long Stop Date. If Kong Sun Yongtai fails to fulfil its obligation pursuant to the terms of the Second Agreement, the Purchaser will be entitled to: (1) terminate the Second Agreement; (2) negotiate with Kong Sun Yongtai to postpone the Long Stop Date; and (3) exempt the conditions precedent (e).

In the event that the Purchaser fails to satisfy the condition precedent (f) as scheduled, Kong Sun Yongtai may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Kong Sun Yongtai for the losses incurred; Kong Sun Yongtai has the right to terminate the Second Agreement and require damages of approximately RMB2,140,000 if the Purchaser has not satisfied such condition precedent during the grace period.

#### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Second Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the Second Project Company.

During the Transition Period, Kong Sun Yongtai shall ensure that, among other things, the Second Project Company will continue its normal business operations in accordance with its past practices and save for the equity pledge over the Second Sale Equity Interest in favour of CDB Leasing to secure the CDB Loan as permitted under the Second Disposal Agreement, no encumbrances or other third party rights will be created with respect to the equity interest in the Second Project Company without the prior written consent of the Purchaser.

#### *Termination of the Second Guarantee*

The amount of the Second Guarantee is the amount of the CDB Loan. Pursuant to the Second Agreement, by no later than ninety (90) days after completion of the Second Disposal, the Purchaser shall procure the release of the Second Guarantee by CDB Leasing. In the event that the Purchaser does not procure completion of the release of the Second Guarantee within ninety (90) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to seek for damages from the Purchaser and default penalty incurred thereunder calculated at a daily percentage rate of 0.05% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the Second Guarantee within ninety (90) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to rescind the Second Agreement, and seek for damages from the Purchaser in the maximum amount of RMB2,140,000 and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

The continuation of the Second Guarantee was agreed after an arm's length negotiation between the parties and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the Second Agreement. In view of the financial stress that the Group is encountering though the terms and conditions of the Second Guarantee may not be ideal, the Directors consider that the Second Disposal and the Second Guarantee are still the best available option under the circumstances for the Company to cut losses and streamline its operation at an appropriate timing after identifying the Purchaser. The Second Guarantee would also facilitate CDB Leasing to provide its written consent regarding the Second Disposal in respect of the CDB Loan, which is a condition precedent under the Second Agreement. Without the Second Guarantee, completion of the Second Disposal may be prolonged given it will take time for Kong Sun Yongtai and the Purchaser to explain to CDB Leasing for the change in control of the Second Project Company and to get the consent from CDB Leasing for the purpose of satisfaction of the condition precedent under the Second Agreement. In the worst case scenario where the Purchaser fails to procure release of the Second Guarantee within ninety (90) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to rescind the Second Agreement. On the above basis, the continuation of the Second Guarantee for a short period of time after completion of the Second Disposal is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

### (C) The Third Agreement

#### *Subject matter*

On 10 July 2021, Kong Sun Yongtai, Jiaxing Shengshi, the Purchaser and the Third Project Company entered into the Third Agreement, pursuant to which Kong Sun Yongtai and Jiaxing Shengshi conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Third Sale Equity Interest. The Company agreed to guarantee the obligations of Kong Sun Yongtai in favour of the Purchaser under the Third Agreement.

#### *Consideration*

The consideration for the Third Disposal is approximately RMB471,917,000, which shall be payable by the Purchaser to Kong Sun Yongtai and Jiaxing Shengshi in cash in the following manner:

- (i) an amount of approximately RMB283,150,000, representing approximately 60.00% of the consideration for the Third Disposal, shall be paid into the Escrow Account before completion of the Third Disposal (the “**Third Earnest Money**”) and shall be transferred to Kong Sun Yongtai and Jiaxing Shengshi within five (5) business days after completion of the Third Disposal;
- (ii) an amount of approximately RMB160,342,000, representing approximately 33.98% of the consideration for the Third Disposal, shall be paid to Kong Sun Yongtai within five (5) business days after completion of handover of certain deliverables relating to the Third Project Company; and

- (iii) within ten (10) business days upon each receipt of the Third Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, up to a total amount of approximately RMB28,425,000, representing approximately 6.02% of the consideration for the Third Disposal shall be paid to Kong Sun Yongtai.

#### *Repayment of the Third Debts*

As at the Reference Date, the Third Project Company had the outstanding Third Debts in the amount of approximately RMB24,751,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, which shall be payable by the Third Project Company to Kong Sun Yongtai in cash in the following manner:

- (i) an amount of approximately RMB23,058,000, shall be settled by the Third Project Company within five (5) business days after completion of the Transition Period Audit; and
- (ii) a corresponding amount up to a total amount of up to approximately RMB1,693,000, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of each of certain rectification works items of the Third Project by Kong Sun Yongtai required by the Purchaser. The rectification works shall be completed not later than within twenty-four (24) months after completion of the Third Disposal. The estimated cost of such rectification works items of the Third Project is approximately RMB1,693,000.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Third Disposal. In the event of any change of net assets value of the Third Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment. The Purchaser has the right to request compensation from Kong Sun Yongtai.

#### *Default*

If the Purchaser fails to pay the consideration for the Third Disposal pursuant to the terms of the Third Agreement or the Third Project Company fails to repay the Third Debts pursuant to the terms of the Third Agreement, Kong Sun Yongtai has the right to request the Purchaser and the Third Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the Third Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB47,192,000, representing approximately 10.00% of the consideration for the Third Disposal, and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Kong Sun Yongtai will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Kong Sun Yongtai, Kong Sun Yongtai may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

### *Conditions Precedent*

Completion of the Third Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Kong Sun Yongtai obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Third Disposal;
- (b) Kong Sun Yongtai, its related parties and the Third Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Third Project Company will be netted off;
- (c) the Purchaser having paid the Third Earnest Money into the Escrow Account;
- (d) the representations and warranties provided by Kong Sun Yongtai as at the date of the Third Agreement and the Third Completion Date being true, complete and accurate in all material respects; and
- (e) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Third Agreement.

Kong Sun Yongtai shall use its best efforts to procure satisfaction of the conditions precedent (a) and (d) on or before the Long Stop Date. If Kong Sun Yongtai fails to fulfil its obligation, pursuant to the terms of the Third Agreement, the Purchaser will be entitled to: (1) terminate the Third Agreement; (2) negotiate with Kong Sun Yongtai to postpone the Long Stop Date; and (3) waive the condition precedent (d).

In the event that the Purchaser fails to satisfy the condition precedent (e) as scheduled, Kong Sun Yongtai may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Kong Sun Yongtai for the losses incurred; Kong Sun Yongtai has the right to terminate the Third Agreement and require damages of approximately RMB47,192,000 if the Purchaser has not satisfied such condition precedent during the grace period.

### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Third Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the Third Project Company.

During the Transition Period, Kong Sun Yongtai shall ensure that, among other things, the Third Project Company will continue its normal business operations in accordance with its past practices and, no encumbrances or other third party rights will be created with respect to the equity interest in the Third Project Company without the prior written consent of the Purchaser.

### **(D) The Fourth Agreement**

#### *Subject matter*

On 10 July 2021, Changshu Honglue, the Purchaser and the Fourth Project Company entered into the Fourth Agreement, pursuant to which Changshu Honglue conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Fourth Sale Equity Interest. The Company agreed to guarantee the obligations of Changshu Honglue in favour of the Purchaser under the Fourth Agreement.

#### *Consideration*

The consideration for the Fourth Disposal is approximately RMB95,985,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB6,719,000, representing approximately 7.00% of the consideration for the Fourth Disposal, shall be paid into the Escrow Account before completion of the Fourth Disposal (the “**Fourth Earnest Money**”) and shall be transferred to Changshu Honglue within five (5) business days after completion of the Fourth Disposal;
- (ii) an amount of approximately RMB63,974,000, representing approximately 66.65% of the consideration for the Fourth Disposal, shall be paid to Changshu Honglue within five (5) business days after completion of handover of certain deliverables relating to the Fourth Project Company and the Transition Period Audit report having been issued;
- (iii) a total amount of up to RMB17,928,000, representing approximately 18.68% of the consideration for the Fourth Disposal, shall be paid to Changshu Honglue within ten (10) business days upon the completion of each of certain rectification works items of the Fourth Project by Changshu Honglue required by the Purchaser. The rectification works shall be completed not later than within twenty-four (24) months after completion of the Fourth Disposal. The estimated cost of such rectification works items of the Fourth Project is approximately RMB17,928,000; and

- (iv) within ten (10) business days upon each receipt of the Fourth Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, up to a total amount of approximately RMB7,364,000, representing approximately 7.67% of the consideration for the Fourth Disposal shall be paid to Changshu Honglue.

#### *Repayment of the Fourth Debts*

As at the Reference Date, the Fourth Project Company had the outstanding Fourth Debts in the amount of approximately RMB60,573,000. The Fourth Debts, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, shall be settled by Changshu Honglue and its related parties within five (5) business days after completion of the Transition Period Audit.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Fourth Disposal. In the event of any change of net assets value of the Fourth Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment.

#### *Default*

If the Purchaser fails to pay the consideration for the Fourth Disposal pursuant to the terms of the Fourth Agreement or the Fourth Project Company fails to repay the Fourth Debts pursuant to the terms of the Fourth Agreement, Changshu Honglue has the right to request the Purchaser and the Fourth Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Changshu Honglue will be entitled to terminate the Fourth Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB9,599,000, representing approximately 10.00% of the consideration for the Fourth Disposal and request the Purchaser to compensate for all losses incurred by Changshu Honglue.

Changshu Honglue will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Changshu Honglue, Changshu Honglue may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.



### *Conditions Precedent*

Completion of the Fourth Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Changshu Honglue obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Fourth Disposal and the Fourth Guarantee;
- (b) Tianan Life having agreed to release the equity pledge of the Fourth Sale Equity Interest given by the Group for the purpose of ensuring the performance of the Taizhou Jiuan Cooperation Agreement;
- (c) the written consent from Kong Sun Baoyuan in respect of the Fourth Disposal;
- (d) Changshu Honglue, its related parties and the Fourth Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Fourth Project Company will be netted off;
- (e) The solar power plant built by the Fourth Project Company has been included into the “List of National Renewable Energy Subsidies”, (國家可再生能源補貼目錄), and get the price not lower than RMB0.74 per kwh;
- (f) the Purchaser having paid the Fourth Earnest Money into the Escrow Account;
- (g) the representations and warranties provided by Changshu Honglue as at the date of the Fourth Agreement and the Fourth Completion Date being true, complete and accurate in all material respects; and
- (h) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Fourth Agreement.

Changshu Honglue shall use its best efforts to procure satisfaction of the conditions precedent (a), (e) and (g) on or before 31 January 2022. If the conditions precedent have not been satisfied in time due to Changshu Honglue, pursuant to the terms of the Fourth Agreement, the Purchaser will be entitled to: (1) terminate the Fourth Agreement; (2) delay the Long Stop Date with certain conditions which should be agreed by Changshu Honglue; and (3) exempt the conditions precedent (g).

In the event that the Purchaser fails to satisfy the condition precedent (h) as scheduled, Changshu Honglue may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Changshu Honglue for the losses incurred; Changshu Honglue has the right to terminate the Fourth Agreement and require damages of approximately RMB9,599,000 if the Purchaser has not satisfied such condition precedent during the grace period.

### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Fourth Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the Fourth Project Company.

During the Transition Period, Changshu Honglue shall ensure that, among other things, the Fourth Project Company will continue its normal business operations in accordance with its past practices, no encumbrances or other third party rights will be created with respect to the equity interest in the Fourth Project Company without the prior written consent of the Purchaser.

### *Termination of the Fourth Guarantee*

The amount of the Fourth Guarantee is the amount of the Kong Sun Baoyuan Loan. Pursuant to the Fourth Agreement, by no later than ninety (90) days after the completion of the Fourth Disposal, the Purchaser shall procure the release of the Fourth Guarantee by Kong Sun Baoyuan. In the event that the Purchaser does not procure completion of the release of the Fourth Guarantee within ninety (90) days after completion of the Fourth Disposal, Changshu Honglue shall have the right to seek for compensation for damages from the Purchaser and default penalty incurred thereunder calculated at a daily percentage rate of 0.05% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the Fourth Guarantee within ninety (90) days after completion of the Fourth Disposal, Changshu Honglue shall have the right to rescind the Fourth Agreement, and seek for compensation for damages from the Purchaser in the maximum amount of RMB 9,599,000 and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

The continuation of the Fourth Guarantee was agreed after an arm's length negotiation between the parties and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the Fourth Agreement. In view of the financial stress that the Group is encountering though the terms and conditions of the Fourth Guarantee may not be ideal, the Directors consider that the Fourth Disposal and the Fourth Guarantee are still the best available option under the circumstances for the Company to cut losses and streamline its operation at an appropriate timing after identifying the Purchaser which is subsidiary of another listed company in Hong Kong. The Fourth Guarantee would also facilitate Kong Sun Baoyuan to provide its written consent regarding the Fourth Disposal in respect of the Kong Sun Baoyuan Loan, which is a condition precedent under the Fourth Agreement. Without the Fourth Guarantee, completion of the Fourth Disposal may be prolonged given it will take time for Changshu Honglue and the Purchaser to explain to Kong Sun Baoyuan for the change in control of the Fourth Project Company and to get the consent from Kong Sun Baoyuan for the purpose of satisfaction of the condition precedent under the Fourth Agreement. In the worst case scenario where the Purchaser fails to procure release of the Fourth Guarantee within ninety (90) days after completion of the Fourth Disposal, Changshu

Honglue shall have the right to rescind the Fourth Agreement. On the above basis, the continuation of the Fourth Guarantee for a short period of time after completion of the Fourth Disposal is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

## (E) The Fifth Agreement

### *Subject matter*

On 10 July 2021, Kong Sun Yongtai, Suzhou Junsheng, the Purchaser and the Fifth Project Company entered into the Fifth Agreement, pursuant to which Kong Sun Yongtai and Suzhou Junsheng conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Fifth Sale Equity Interest. The Company agreed to guarantee the obligations of Kong Sun Yongtai in favour of the Purchaser under the Fifth Agreement.

### *Consideration*

The consideration for the Fifth Disposal is approximately RMB241,476,000, which shall be payable by the Purchaser to Kong Sun Yongtai and Suzhou Junsheng in cash in the following manner:

- (i) an amount of approximately RMB144,885,000, representing approximately 60.00% of the consideration for the Fifth Disposal, shall be paid into the Escrow Account before completion of the Fifth Disposal (the “**Fifth Earnest Money**”) and shall be transferred to Kong Sun Yongtai and Suzhou Junsheng within five (5) business days after completion of the Fifth Disposal;
- (ii) an amount of approximately RMB76,419,000, representing approximately 31.65% of the consideration for the Fifth Disposal, shall be paid within five (5) business days after completion of handover of certain deliverables relating to the Fifth Project Company and the Transition Period Audit report having been issued and the Fifth Project Company received the certification issued by RFYD;
- (iii) a total amount of up to RMB2,616,000, representing approximately 1.08% of the consideration for the Fifth Disposal, shall be paid within ten (10) business days upon the completion of each of certain rectification works items of the Fifth Project required by the Purchaser, which in any event, within three (3) months after completion of the Fifth Disposal. The estimated cost of such rectification works items of the Fifth Project is approximately RMB2,616,000; and
- (iv) within ten (10) business days upon each receipt of the Fifth Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, up to a total amount of approximately RMB17,556,000, representing approximately 7.27% of the consideration for the Fifth Disposal shall be paid to Kong Sun Yongtai and Suzhou Junsheng.

### *Repayment of the Fifth Debts*

As at the Reference Date, the Fifth Project Company had the outstanding Fifth Debts in the amount of approximately RMB1,021,000. The Fifth Debts, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, shall be settled by Kong Sun Yongtai, Suzhou Junsheng and its related parties within five (5) business days after completion of the Transition Period Audit.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Fifth Disposal. In the event of any change of net assets value of the Fifth Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment.

### *Default*

If the Purchaser fails to pay the consideration for the Fifth Disposal pursuant to the terms of the Fifth Agreement or the Fifth Project Company fails to repay the Fifth Debts pursuant to the terms of the Fifth Agreement, Kong Sun Yongtai has the right to request the Purchaser and the Fifth Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the Fifth Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB24,148,000, representing approximately 10.00% of the consideration for the Fifth Disposal and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Kong Sun Yongtai will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Kong Sun Yongtai, Kong Sun Yongtai may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

### *Conditions Precedent*

Completion of the Fifth Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Kong Sun Yongtai obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Fifth Disposal;

- (b) Kong Sun Yongtai, its related parties and the Fifth Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Fifth Project Company will be netted off;
- (c) no less than 30MW capacity of solar power plant built by the Fifth Project Company has been included in the “List of National Renewable Energy Subsidies”, (國家可再生能源補貼目錄), and 18MW capacity of the plant get the price not lower than RMB0.83 per kwh, the other 12MW capacity of the plant get the price not lower than RMB0.96 per kwh, or the total 30MW capacity get the price not lower than RMB0.882 per kwh;
- (d) the Purchaser having paid the Fifth Earnest Money into the Escrow Account;
- (e) the representations and warranties provided by the Purchaser as at the date of the Fifth Agreement and the Fifth Completion Date being true, complete and accurate in all material respects; and
- (f) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Fifth Agreement.

Kong Sun Yongtai shall use its best efforts to procure satisfaction of the conditions precedent (a), (c) and (e) on or before 31 January 2022. If the conditions precedent have not been satisfied in time due to Kong Sun Yongtai, pursuant to the terms of the Fifth Agreement, the Purchaser will be entitled to: (1) terminate the Fifth Agreement; (2) delay the Long Stop Date with certain conditions which should be agreed by Kong Sun Yongtai; and (3) exempt the conditions precedent (e).

In the event that the Purchaser fails to satisfy the condition precedent (f) as scheduled, Kong Sun Yongtai may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Kong Sun Yongtai for the losses incurred; Kong Sun Yongtai has the right to terminate the Fifth Agreement and require damages of approximately RMB24,148,000 if the Purchaser has not satisfied such condition precedent during the grace period.

#### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Fifth Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the Fifth Project Company.

During the Transition Period, Kong Sun Yongtai shall ensure that, among other things, the Fifth Project Company will continue its normal business operations in accordance with its past practices and, no encumbrances or other third party rights will be created with respect to the equity interest in the Fifth Project Company without the prior written consent of the Purchaser.

## (F) The Sixth Agreement

### *Subject matter*

On 10 July 2021, Changshu Honglue, the Purchaser and the Sixth Project Company entered into the Sixth Agreement, pursuant to which Changshu Honglue conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sixth Sale Equity Interest. The Company agreed to guarantee the obligations of Changshu Honglue in favour of the Purchaser under the Sixth Agreement.

### *Consideration*

The consideration for the Sixth Disposal is approximately RMB279,849,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB167,910,000, representing approximately 60.00% of the consideration for the Sixth Disposal, shall be paid into the Escrow Account before completion of the Sixth Disposal (the “**Sixth Earnest Money**”) and shall be transferred to Changshu Honglue within five (5) business days after completion of the Sixth Disposal;
- (ii) an amount of approximately RMB90,189,000, representing approximately 32.23% of the consideration for the Sixth Disposal, shall be paid to Changshu Honglue within five (5) business days after completion of handover of certain deliverables relating to the Sixth Project Company; and
- (iii) within ten (10) business days upon each receipt of the Sixth Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, up to a total amount of approximately RMB21,750,000, representing approximately 7.77% of the consideration for the Sixth Disposal shall be paid to Changshu Honglue.

### *Repayment of the Sixth Debts*

As at the Reference Date, the Sixth Project Company had the outstanding Sixth Debts in the amount of approximately RMB125,689,000. subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, which shall be payable by the Sixth Project Company to Changshu Honglue in cash in the following manner:

- (i) an amount of approximately RMB123,999,000, shall be settled by the Sixth Project Company within five (5) business days after completion of the Transition Period Audit; and
- (ii) a corresponding amount up to a total amount of up to approximately RMB1,690,000, shall be paid to Changshu Honglue within ten (10) business days upon completion of each of certain rectification works items of the Sixth Project by Changshu Honglue required by the Purchaser. The rectification works shall be



completed not later than within twenty-four (24) months after completion of the Sixth Disposal. The estimated cost of such rectification works items of the Sixth Project is approximately RMB1,690,000.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Sixth Disposal. In the event of any change of net assets value of the Sixth Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment. The Purchaser has the right to request compensation from Changshu Honglue.

#### *Default*

If the Purchaser fails to pay the consideration for the Sixth Disposal pursuant to the terms of the Sixth Agreement or the Sixth Project Company fails to repay the Sixth Debts pursuant to the terms of the Sixth Agreement, Changshu Honglue has the right to request the Purchaser and the Sixth Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Changshu Honglue will be entitled to terminate the Sixth Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB27,985,000, representing approximately 10.00% of the consideration for the Sixth Disposal and request the Purchaser to compensate for all losses incurred by Changshu Honglue.

Changshu Honglue will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction in accordance with the PRC law. If the Purchaser refuses to perform the court decision in favour of Changshu Honglue, Changshu Honglue may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

#### *Conditions Precedent*

Completion of the Sixth Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Changshu Honglue obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Sixth Disposal;
- (b) Tianan Life having agreed to release the equity pledge of the Sixth Sale Equity Interest given by the Group for the purpose of ensuring the performance of the Taizhou Jiuan Cooperation Agreement;

- (c) Changshu Honglue, its related parties and the Sixth Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Sixth Project Company will be netted off;
- (d) the Purchaser having paid the Sixth Earnest Money into the Escrow Account;
- (e) the representations and warranties provided by Changshu Honglue as at the date of the Sixth Agreement and the Sixth Completion Date being true, complete and accurate in all material respects; and
- (f) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Sixth Agreement.

Changshu Honglue shall use its best efforts to procure satisfaction of the conditions precedent (a) and (e) on or before the Long Stop Date. If Changshu Honglue fails to fulfil its obligation, pursuant to the terms of the Sixth Agreement, the Purchaser will be entitled to: (1) terminate the Sixth Agreement; (2) delay the Long Stop Date with certain conditions which should be agreed by Changshu Honglue; and (3) exempt the conditions precedent (e).

In the event that the Purchaser fails to satisfy the condition precedent (f) as scheduled, Changshu Honglue may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Changshu Honglue for the losses incurred; Changshu Honglue has the right to terminate the Sixth Agreement and require damages of approximately RMB27,985,000 if the Purchaser has not satisfied such condition precedent during the grace period.

#### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Sixth Project Company during the Transition Period, subject to consideration adjustment as a result of matters occurred not in the ordinary course of business during the Transition Period, shall be borne by the Sixth Project Company.

During the Transition Period, Changshu Honglue shall ensure that, among other things, the Sixth Project Company will continue its normal business operations in accordance with its past practices, no encumbrances or other third party rights will be created with respect to the equity interest in the Sixth Project Company without the prior written consent of the Purchaser.

### **(G) The Seventh Agreement**

#### *Subject matter*

On 10 July 2021, Changshu Honglue, the Purchaser and the Seventh Project Company entered into the Seventh Agreement, pursuant to which Changshu Honglue conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Seventh Sale Equity Interest. The Company agreed to guarantee the obligations of Changshu Honglue in favour of the Purchaser under the Seventh Agreement.

### *Consideration*

The consideration for the Seventh Disposal is approximately RMB137,712,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB82,627,000, representing approximately 60.00% of the consideration for the Seventh Disposal, shall be paid into the Escrow Account before completion of the Seventh Disposal (the “**Seventh Earnest Money**”) and shall be transferred to Changshu Honglue within five (5) business days after completion of the Seventh Disposal;
- (ii) an amount of approximately RMB44,444,000, representing approximately 32.27% of the consideration for the Seventh Disposal, shall be paid to Changshu Honglue within five (5) business days after completion of handover of certain deliverables relating to the Seventh Project Company and the Transition Period Audit report having been issued;
- (iii) a total amount of up to RMB4,858,000, representing approximately 3.53% of the consideration for the Seventh Disposal, shall be paid to Changshu Honglue within ten (10) business days upon the completion of each of certain rectification works items of the Seventh Project by Changshu Honglue required by the Purchaser. The rectification works shall be completed not later than within twenty-four (24) months after completion of the Seventh Disposal. The estimated cost of such rectification works items of the Seventh Project is approximately RMB4,858,000; and
- (iv) within ten (10) business days upon each receipt of the Seventh Project Company of the state renewable energy subsidies receivable from the State Grid Corporation of China before the Reference Date, an amount equal to the amount of the subsidy receipt, up to a total amount of approximately RMB5,783,000, representing approximately 4.20% of the consideration for the Seventh Disposal shall be paid to Changshu Honglue.

### *Repayment of the Seventh Debts*

As at the Reference Date, the Seventh Project Company had the outstanding Seventh Debts in the amount of approximately RMB228,000. The Seventh Debts, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined under the Transition Period Audit, shall be settled by Changshu Honglue and its related parties within five (5) business days after completion of the Transition Period Audit.

The Transition Period Audit report will be issued within fifteen (15) business days of completion of the Seventh Disposal. In the event of any change of net assets value of the Seventh Project Company as a result of matters occurred not in the ordinary course of business during the Transition Period, such change will be considered as a consideration adjustment.

### *Default*

If the Purchaser fails to pay the consideration for the Seventh Disposal pursuant to the terms of the Seventh Agreement or the Seventh Project Company fails to repay the Seventh Debts pursuant to the terms of the Seventh Agreement, Changshu Honglue has the right to request the Purchaser and the Seventh Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than thirty (30) calendar days from the relevant due date, Changshu Honglue will be entitled to terminate the Seventh Agreement, refund all the payments made by the Purchaser after deducting a default payment in the maximum amount of approximately RMB13,771,000, representing approximately 10.00% of the consideration for the Seventh Disposal and request the Purchaser to compensate for all losses incurred by Changshu Honglue. Changshu Honglue will also be entitled to commence litigation against the Purchaser in the PRC court with competent jurisdiction and claim restitution in accordance with the PRC law.

If the Purchaser refuses to perform the court decision in favour of Changshu Honglue, Changshu Honglue may seek enforcement by the court. Under this circumstance, the Purchaser may be added into 失信執行人名錄 (the List of Untrustworthy Executors\*) (an effective enforcement machinery in the PRC), which may have a material adverse effect on the assessment of the Purchaser's credit rating and reputation. Taking into consideration of the general market practice in the solar industry as well as the background of the Purchaser, the Directors are of the view that the settlement and completion mechanism is sufficient to safeguard the Company's right to receive the full consideration and the possibility of the Purchaser would not honour its contractual commitment is relatively low.

### *Conditions Precedent*

Completion of the Seventh Disposal is subject to the satisfaction of the following conditions precedent:

- (a) Changshu Honglue obtained the approval from the Board and the Shareholders at the EGM in accordance with the Listing Rules regarding for the Seventh Disposal;
- (b) Tianan Life having agreed to release the equity pledge of the Seventh Sale Equity Interest given by the Group for the purpose of ensuring the performance of the Taizhou Jiuan Cooperation Agreement;
- (c) Changshu Honglue, its related parties and the Seventh Project Company having agreed and completed the debt restructuring under which, the inter-company debts of the Seventh Project Company will be netted off;
- (d) the Purchaser having paid the Seventh Earnest Money into the Escrow Account;
- (e) the representations and warranties provided by the Purchaser as at the date of the Seventh Agreement and the Seventh Completion Date being true, complete and accurate in all material respects; and

- (f) the Purchaser having completed the filing of valuation report within sixty (60) business days of the date of the Seventh Agreement.

Changshu Honglue shall use its best efforts to procure satisfaction of the conditions precedent (a) and (e) on or before the Long Stop Date. If Changshu Honglue fails to fulfil its obligation, pursuant to the terms of the Seventh Agreement, the Purchaser will be entitled to: (1) terminate the Seventh Agreement; (2) delay the Long Stop Date with certain conditions which should be agreed by Changshu Honglue; and (3) exempt the conditions precedent (e).

In the event that the Purchaser fails to satisfy the condition precedent (f) as scheduled, Changshu Honglue may give the Purchaser a grace period of fifteen (15) business days and require the Purchaser to compensate Changshu Honglue for the losses incurred; Changshu Honglue has the right to terminate the Seventh Agreement and require damages of approximately RMB13,771,000 if the Purchaser has not satisfied such condition precedent during the grace period.

#### *Arrangements during the Transition Period*

Any profits generated and any losses incurred and any changes to the net assets of the Seventh Project Company during the Transition Period, subject to the consideration adjustment as a result of matters occurred not in the ordinary course of business during Transition Period, shall be borne by the Seventh Project Company.

During the Transition Period, Changshu Honglue shall ensure that, among other things, the Seventh Project Company will continue its normal business operations in accordance with its past practices, no encumbrances or other third party rights will be created with respect to the equity interest in the Seventh Project Company without the prior written consent of the Purchaser.

### **BASIS OF THE CONSIDERATION FOR THE DISPOSALS**

The consideration for the Disposals was determined upon arm's length negotiations between the parties with reference to (i) the unaudited net assets of the Project Companies, in the amount approximately RMB1,604,560,000, and adjusted by applying a discount of approximately 19.9% (i.e. RMB318,746,000), resulting in the amount approximately RMB1,285,814,000; (ii) the gearing position of the Project Companies; and (iii) the valuation of the Project Companies in the amount of approximately RMB1,231,248,000 appraised by an independent valuer.

In determining the discount to be applied to the net asset value of the Project Companies for the determination of the consideration for the Disposals, the Directors took into consideration account the following factors:

- (i) the Disposals represent an opportunity for the Group to recoup its capital investment in the Project Companies, which will relieve the Group from its further funding commitment to the Project Companies in the form of shareholder's loan which is costly to maintain;

- (ii) the Project Companies recorded a significant amount of accounts receivables, being the state renewable energy subsidies to be received from the State Grid Corporation of China, of approximately RMB488,470,000 as at the Reference Date, the receipt of which depends on the decision of the relevant government authority;
- (iii) the net debt ratio of the Project Companies is approximately 6.88 as at 30 April 2021, which is higher than the net debt ratio of the Group of approximately 1.36 as at 31 December 2020;
- (iv) the Group is expected to save an annual finance costs of approximately RMB130,000,000 upon completion of the Disposals;
- (v) the consideration is close to the valuation amount of the Project Companies (i.e. approximately RMB1,231,248,000) as appraised by an independent valuer; and
- (vi) the Group will continue to provide operation and maintenance services to the Project Companies, which will generate an annual service fee income of approximately RMB10,470,000 to the Group until at least 30 April 2023.

It is the usual practice in the industry and in previous disposals of the Company for having a portion of consideration to be held in an escrow account before the completion of the relevant disposal. With approximately RMB715,266,000, representing approximately 55.63% of the consideration for the Disposals being kept in the Escrow Account jointly controlled by the relevant vendor and the Purchaser, this arrangement is under normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

## **COMPLETION OF THE DISPOSALS**

As at the date of this announcement, the Project Companies are subsidiaries of the Company.

Completion of each Disposal shall take place on the date on which the transfer of 100% equity interest in the relevant Project Company has been registered with the relevant administration for industry and commerce and a new business license has been issued to such Project Company.

Completion of each Disposal is not conditional on completion of any other Disposals.



## INFORMATION ON THE PROJECT COMPANIES

### (A) the First Project Company

the First Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the First Project Company is a direct wholly-owned subsidiary of Kong Sun Yongtai.

The unaudited financial results of the First Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	2,668	1,311
Net profit after tax	2,341	1,118

The unaudited net asset value of the First Project Company as at 30 April 2021 was approximately RMB50,579,000.

### (B) The Second Project Company

The Second Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the Second Project Company is treated as wholly-owned by China Resources Szitic Trust because of the equity pledge arrangement for the CDB Loan but is still accounted as a subsidiary of the Group. CDB Leasing designated China Resources Szitic Trust to hold the Second Sale Equity Interest as nominee for the equity pledge arrangement for the CDB Loan.

The unaudited financial results of the Second Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	7,033	6,595
Net profit after tax	7,033	6,595

The unaudited net asset value of the Second Project Company as at 30 April 2021 was approximately RMB70,688,000.

### (C) The Third Project Company

The Third Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation.

According to cooperation agreement dated 24 October 2016 entered into between the Group and Jiaxing Shengshi, Jiaxing Shengshi contributed a capital of RMB500,000,000 to the Third Project Company and has held 86.207% equity interest of the Third Project Company upon completion of the capital contribution while the Group has retained the power to control the financial and operating policies of the Third Project Company so as to direct its relevant activities and to obtain significant economic benefits from its activities. As at the date of this announcement, the Third Project Company is owned as to 86.207% equity interests by Jiaxing Shengshi, and the remaining equity interests by Kong Sun Yongtai.

The unaudited financial results of the Third Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	28,175	15,929
Net profit after tax	28,175	15,929

The unaudited net asset value of the Third Project Company as at 30 April 2021 was approximately RMB589,184,000.

### (D) The Fourth Project Company

The Fourth Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the Fourth Project Company is a direct wholly-owned subsidiary of Changshu Honglue.

The unaudited financial results of the Fourth Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit before tax	(3,220)	449
Net (loss)/profit after tax	(3,220)	449

The unaudited net asset value of the Fourth Project Company as at 30 April 2021 was approximately RMB124,148,000.

### (E) The Fifth Project Company

The Fifth Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the Fifth Project Company is owned as to 96.60% equity interests by Suzhou Junsheng, and the remaining equity interests by Kong Sun Yongtai.

The unaudited financial results of the Fifth Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	23,532	18,622
Net profit after tax	23,532	16,683

The unaudited net asset value of the Fifth Project Company as at 30 April 2021 was approximately RMB279,336,000.

### (F) The Sixth Project Company

The Sixth Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the Sixth Project Company is a direct wholly-owned subsidiary of Changshu Honglue.

The unaudited financial results of the Sixth Project Company for the two years immediately preceding the date of this announcement are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	22,718	28,353
Net profit after tax	22,718	28,353

The unaudited net asset value of the Sixth Project Company as at 30 April 2021 was approximately RMB307,916,000.

## (G) The Seventh Project Company

The Seventh Project Company is a company established in the PRC with limited liability. It is principally engaged in solar power generation. As at the date of this announcement, the Seventh Project Company is a direct wholly-owned subsidiary of Changshu Honglue.

The unaudited financial results of the Seventh Project Company for the two years immediately preceding the date of this announcement are as follows:

	For the year ended	
	31 December	
	2019	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net profit before tax	8,612	9,271
Net profit after tax	8,612	9,271

The unaudited net asset value of the Seventh Project Company as at 30 April 2021 was approximately RMB182,709,000.

## INFORMATION ON THE PARTIES

### Kong Sun Yongtai

Kong Sun Yongtai is an indirect wholly-owned subsidiary of the Company and is principally engaged in the investment in and operation of solar power plants. As at the date of this announcement, the First Project Company is a direct wholly-owned subsidiary of Kong Sun Yongtai.

### Changshu Honglue

Changshu Honglue is owned as to 99.94% by Taizhou Jiuan and 0.06% by Kong Sun Yongtai. Taizhou Jiuan has 3 limited partners, namely Tianan Life, Kong Sun Yongtai and Zhuhai Jiuyin which holds 79.97%, 19.99% and 0.04% partnership interest in it, respectively. Zhuhai Jiuyin is also a general partner of Taizhou Jiuan. Changshu Honglue is treated as an indirect wholly-owned subsidiary of the Company from the accounting perspective and is principally engaged in the investment in solar power plants. As at the date of this announcement, each of the Fourth Project Company, the Sixth Project Company and the Seventh Project Company is a direct wholly-owned subsidiary of Changshu Honglue.

### The Company

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, trading of liquefied natural gas and asset management.

## **The Purchaser**

The Purchaser is a company established in the PRC and is principally engaged in investment and exploration of mineral resources; mineral product processing (for branch operation only) and sales; industrial and agricultural water supply engineering; urban water supply engineering; sewage treatment engineering; property management; scenic tourism development (excluding real estate development); technical consultation; clean energy development (projects that are subject to approval in accordance with the law can only be carried out after approval by relevant authorities). As at the date of this announcement, the Purchaser is owned as to 55% by China National Nuclear Corporation (“**China Nuclear**”) and 45% by Xinhua Water Resources Holding Group Corporation Ltd. (“**Xinhua Water Resources**”). China Nuclear is wholly owned by the SASAC. Xinhua Water Resources is wholly owned by Bureau of Comprehensive Development Ministry of Water Resources.

## **China Resources Szitic Trust**

China Resources Szitic Trust is a company established in the PRC. As at the date of this announcement, it is owned as to 51% by SASAC and 49% by SASAC of Shenzhen.

## **Jiaxing Shengshi**

Jiaxing Shengshi is a limited partnership established in the PRC and is principally engaged in investment in high-tech, energy sector and other high growth unlisted enterprises. As at the date of this announcement, Jiaxing Shengshi is owned as to 14.99% by Kong Sun Yongtai, 0.06% by 盛世神州投資基金管理(北京)股份有限公司 (Shengshi Shenzhou Investment Fund Management (Beijing) Co., Ltd.\*) and 84.95% by Tianan Life, each of which is a third party independent of the Company and connected persons of the Company.

## **Suzhou Junsheng**

Suzhou Junsheng is a limited partnership established in the PRC and is principally engaged in investment in high-tech, energy sector and other high growth unlisted enterprises. As at the date of this announcement, Suzhou Junsheng is owned as to 49.995% by Kong Sun Yongtai, 0.01% by 君盛投資管理有限公司 (Junsheng Investment Management Co., Ltd.\*) and 49.995% by Tianan Life, each of which is a third party independent of the Company and connected persons of the Company.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and China Resources Szitic Trust and its ultimate beneficial owner is a third party independent of the Company and connected persons of the Company.

## **REASONS AND BENEFITS FOR THE DISPOSALS**

The Directors consider that it is a good opportunity for the Group to realise its investment in the Project Companies so as to better allocate the Group’s resources, optimise its operation model, enhance the efficiency of equipment in solar power plants and accelerate its pace in transforming to asset-light model.

Upon completion of the Disposals, the Company will continue to have 22 completed solar power plants with a total installed capacity of 619.8 MW. The Company will continue to engage in the solar power plants business with (a) the generation of solar power and sale of electricity to power grid companies through its remaining solar power plants, and (b) the provision of solar power plant operation and maintenance services to third parties, including the Project Companies disposed by the Group, through the Group's own workforce of engineers and maintenance staff. The management team for the operation and management of the remaining group will not be downsized as a result of the Disposals.

Solar power generating business is a capital intensive industry, which highly relies on external financing in order to fund for the construction of a solar power plant while the recovery of capital investment takes a long period of time. Any delay in enlisting of the solar power plants of the Group on 可再生能源電價附加資助目錄 (Renewable Energy Tariff Subsidy Catalogue\*) (the “**Subsidy Catalogue**”) or any delay in the receipt of renewable energy subsidies for its solar power plants that have been enlisted on the Subsidy Catalogue could have a material adverse effect on the Group's business, financial condition, cash flow and operating results. To cope with the gearing risk, the Group will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Group. The Group has been actively seeking for opportunities to transform into the asset-light model to optimise its finance structure and lower its gearing ratio. The Disposals represent a good opportunity for the Group to implement its asset-light strategy. The Company may consider further disposal(s) when it considers beneficial to the Company and the Shareholders as a whole in future.

In addition, the Disposals will lower the Group's gearing ratio given the net proceeds from the Disposals will be applied for repaying the existing debts.

Based on the foregoing, the Directors are of the view that the Disposals and the terms of the Disposal Agreements were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSALS AND INTENDED USE OF PROCEEDS**

As at the date of this announcement, each of the Project Companies is an indirect wholly-owned subsidiary of the Company. With effect from completion of the Disposal Agreements, the Project Companies will cease to be subsidiaries of the Company and the assets and liabilities and results of operation of the Project Companies will cease to be consolidated in the financial statements of the Company.

Subject to final audit, it is expected that the Group will realise a net loss on the Disposals of not more than approximately RMB346,000,000, which is calculated by reference to the difference between (i) the consideration for the Disposals and net asset value of the Project Companies and its goodwill of approximately RMB1,604,560,000 and RMB24,819,000, respectively as at 30 April 2021 and (ii) the related transaction costs, taxes and expenses of the Disposals. Despite the net loss on the Disposals, having taking into consideration of the reasons for the Disposals as stated under the paragraph headed “Reasons and Benefits for the Disposals” above, the Company is of the view that the Disposals will be in the interests of the Company and the Shareholders as a whole as it will lower the Group's gearing ratio.



The net proceeds from the Disposals after deducting the taxation and transaction costs are estimated to be approximately RMB1,499,000,000. The Group intends to apply the net proceeds from the Disposals to repay its existing indebtedness.

## **LISTING RULES IMPLICATIONS**

### **The Disposals**

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, are more than 75%, the transactions contemplated under the Disposal Agreements constitute a very substantial disposal 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 one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Guarantees is 5% or more but all of them are lower than 25%, these Guarantees constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **General**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal Agreements and the transactions contemplated thereunder. Insofar as the Company is aware, none of the Shareholders has any material interest in the Disposals. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposal Agreements and the transactions contemplated thereunder at the EGM. A circular containing, among other things, further details of the Disposals and the Guarantees, the financial information of the Group, the financial information and the valuation report of the Project Companies, 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 13 August 2021 as additional time is required to prepare the information to be included in the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Friday, 2 July 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Monday, 12 July 2021.

**Completion of the Disposals is conditional upon satisfaction of certain conditions precedent. Completion of each of the Disposals is not inter-conditional upon each other. Accordingly, the Disposals may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Agricultural Bank”	Agricultural Bank of China Limited, a company established in the PRC with limited liability
“Agricultural Bank Loan”	the outstanding indebtedness in the amount of approximately RMB27,914,000 due by the First Project Company to Agricultural Bank
“Board”	the board of Directors
“CDB Loan”	the outstanding indebtedness in the amount of approximately RMB85,530,000 due by the Second Project Company to CDB Leasing
“CDB Leasing”	國銀金融租賃股份有限公司 (China Development Bank Financial leasing Co., Ltd.*), a company established in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange (stock code: 1606)
“certain deliverables”	deliverable items including but not limited to the company seal, licenses, financial information, contract information, various equipment and facilities
“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 Resources Sztic Trust”	China Resources Sztic Trust Co., Ltd., a company established in the PRC with limited liability
“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
“Deposits”	the First Deposit, the Second Deposit, the Third Deposit, the Fourth Deposit, the Fifth Deposit, the Sixth Deposit and the Seventh Deposit
“Director(s)”	director(s) of the Company

“Disposal Agreements”	the First Agreement, the Second Agreement, the Third Agreement the Fourth Agreement, the Fifth Agreement, the Sixth Agreement and the Seventh Agreement (each, a “ <b>Disposal Agreement</b> ”)
“Disposals”	the First Disposal, the Second Disposal, the Third Disposal, the Fourth Disposal, the Fifth Disposal, the Sixth Disposal and the Seventh Disposal
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve, among other things, the Disposals
“Escrow Account”	in respect of each Disposal Agreement, the bank account to be established under the joint control by the relevant vendor and the Purchaser for holding the relevant deposit pursuant to the terms of such Disposal Agreement
“Fifth Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Suzhou Junsheng, Kong Sun Yongtai and the Fifth Project Company in relation to the Fifth Disposal
“Fifth Completion Date”	the date of issuing the new business license of the First Project Company in respect of the transfer of the Fifth Sale Equity Interest from Kong Sun Yongtai and Suzhou Junsheng to the Purchaser
“Fifth Debts”	the outstanding loans, advances, interests (if any) and other sums owed by Kong Sun Yongtai and their related parties to the Fifth Project Company
“Fifth Disposal”	the disposal of the Fifth Sale Equity Interest
“Fifth Project”	a 30 MW solar power plant owned by the Fifth Project Company in Hebei Province, the PRC
“Fifth Project Company”	黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Fifth Sale Equity Interest”	the entire equity interests of the Fifth Project Company
“First Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Kong Sun Yongtai and the First Project Company in relation to the First Disposal

“First Completion Date”	the date of issuing the new business license of the First Project Company in respect of the transfer of the First Sale Equity Interest from Kong Sun Yongtai to the Purchaser
“First Debts”	the outstanding loans, advances, interests (if any) and other sums owed by the First Project Company to Kong Sun Yongtai and its related parties
“First Disposal”	the disposal of the First Sale Equity Interest
“First Equity Consideration”	the consideration for the First Sale Equity Interest
“First Guarantee”	the guarantee provided by Kong Sun Yongtai and Zhongke for securing the existing borrowings of the First Project Company
“First Project”	a 9 MW solar power plant owned by the First Project Company in Gansu Province, the PRC
“First Project Company”	金塔縣永嘉新能源有限公司 (Jinta Yongjia New Energy Limited*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“First Sale Equity Interest”	the entire equity interests of the First Project Company
“Fourth Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Changshu Honglue and the Fourth Project Company in relation to the Fourth Disposal
“Fourth Completion Date”	the date of issuing the new business license of the Fourth Project Company in respect of the transfer of the Fourth Sale Equity Interest from Changshu Honglue to the Purchaser
“Fourth Debts”	the outstanding loans, advances, interests (if any) and other sums owed by Changshu Honglue and its related parties to the Fourth Project Company
“Fourth Disposal”	the disposal of the Fourth Sale Equity Interest
“Fourth Equity Consideration”	the consideration for the Fourth Sale Equity Interest
“Fourth Guarantee”	the guarantee provided by Kong Sun Yongtai and its related companies for securing the existing borrowings of the Fourth Project Company

“Fourth Project”	a 20 MW solar power plant owned by the Fourth Project Company in Qinghai Province, the PRC
“Fourth Project Company”	化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Fourth Sale Equity Interest”	the entire equity interests of the Fourth Project Company
“Group”	the Company and its subsidiaries
“Guarantees”	the First Guarantee, the Second Guarantee and the Fourth Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiaxing Shengshi”	Jiaxing Shengshi Limited Partnership, a limited partnership established in the PRC
“Kong Sun Baoyuan”	江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*), a company established in the PRC with limited liability and an associated company of the Company as at the date of this announcement
“Kong Sun Baoyuan Loan”	the outstanding indebtedness in the amount of approximately RMB59,247,000 due by the Fourth Project Company to Kong Sun Baoyuan
“Kong Sun Yongtai”	江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2021
“MW”	mega watts
“PRC”	the People’s Republic of China
“Project Companies”	the First Project Company, the Second Project Company, the Third Project Company, the Fourth Project Company, the Fifth Project Company, the Sixth Project Company and the Seventh Project Company

“Purchaser”	新華電力發展投資有限公司 (Xinhua Electricity Development Investment Limited*), a company incorporated in the PRC
“Reference Date”	28 February 2021
“RFYD”	北京潤豐元大小額貸款有限公司 (Beijing Runfeng Yuanda Microfinance Limited*)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council)
“Second Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, China Resources Sztic Trust and the Second Project Company in relation to the Second Disposal
“Second Completion Date”	the date of issuing the new business license of the Second Project Company in respect of the transfer of the Second Sale Equity Interest from China Resources Sztic Trust and Kong Sun Yongtai to the Purchaser
“Second Debts”	the outstanding loans, advances, interests (if any) and other sums used by the Second Project Company to Kong Sun Yongtai and its related parties
“Second Disposal”	the disposal of the Second Sale Equity Interest
“Second Equity Consideration”	the consideration for the Second Sale Equity Interest
“Second Guarantee”	the guarantee provided by Kong Sun Yongtai and its related companies and Zhongke for securing the existing borrowings of the Second Project Company
“Second Project”	a 20 MW solar power plant owned by the Second Project Company in Gansu Province, the PRC
“Second Project Company”	甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Second Sale Equity Interest”	the entire equity interests of the Second Project Company



“Seventh Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Changshu Honglue and the Seventh Project Company in relation to the Seventh Disposal
“Seventh Completion Date”	the date of issuing the new business license of the Seventh Project Company in respect of the transfer of the Seventh Sale Equity Interest from Changshu Honglue to the Purchaser
“Seventh Debts”	the outstanding loans, advances, interests (if any) and other sums owed by Changshu Honglue and its related parties to the Seventh Project Company
“Seventh Disposal”	the disposal of the Seventh Sale Equity Interest
“Seventh Project”	a 20 MW solar power plant owned by the Seventh Project Company in Gansu Province, the PRC
“Seventh Project Company”	臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Seventh Sale Equity Interest”	the entire equity interests of the Seventh Project Company
“Share(s)”	ordinary shares of the Company
“Shareholders”	holders of the Shares
“Sixth Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Changshu Honglue and the Sixth Project Company in relation to the Sixth Disposal
“Sixth Completion Date”	the date of issuing the new business license of the Sixth Project Company in respect of the transfer of the Sixth Sale Equity Interest from Changshu Honglue to the Purchaser
“Sixth Debts”	the outstanding loans, advances, interests (if any) and other sums owed by the Sixth Project Company to Changshu Honglue and its related parties
“Sixth Disposal”	the disposal of the Sixth Sale Equity Interest
“Sixth Project”	a 50 MW solar power plant owned by the Sixth Project Company in Gansu Province, the PRC

“Sixth Project Company”	嘉峪關協合新能源有限公司 (Jiayuguan Xiehe New Energy Co. Ltd.*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Sixth Sale Equity Interest”	the entire equity interests of the Sixth Project Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Junsheng”	Suzhou Junsheng Limited Partnership, a limited partnership established in the PRC
“Taizhou Jiuan”	台州久安股權投資合夥有限企業 (有限合夥) (Taizhou Jiuan Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC
“Taizhou Jiuan Cooperation Agreement”	the agreement dated 30 September 2017 entered into between the Group and Taizhou Jiuan, pursuant to which Taizhou Jiuan agreed to increase the capital to Changshu Honglue, and the Group agreed to maintain the financial and operating policy control of Changshu Honglue to manage its related activities and the right to obtain economic benefits. The Group agreed to repurchase the relevant equity interest in Changshu Honglue from Taizhou Jiuan at the agreed time. In order to secure the Group’s repurchase obligations, the Group pledged the Fourth Sale Equity Interest, the Sixth Sale Equity Interest and the Seventh Sale Equity Interest held by Changshu Honglue in favour of Tianan Life. Details of the Taizhou Jiuan Cooperation Agreement were set out in the announcements of the Company dated 30 September 2017 and 13 December 2017
“Third Agreement”	the equity transfer agreement dated 10 July 2021 entered into by and among the Purchaser, Jiaxing Shengshi, Kong Sun Yongtai and the Third Project Company in relation to the Third Disposal
“Third Completion Date”	the date of issuing the new business license of the Third Project Company in respect of the transfer of the Third Sale Equity Interest from Jiaxing Shengshi and Kong Sun Yongtai to the Purchaser
“Third Debts”	the outstanding loans, advances, interests (if any) and other sums owed by the Third Project Company to Kong Sun Yongtai and its related parties
“Third Disposal”	the disposal of the Third Sale Equity Interest
“Third Equity Consideration”	the consideration for the Third Sale Equity Interest

“Third Project”	a 60 MW solar power plant owned by the Third Project Company in Gansu Province, the PRC
“Third Project Company”	敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Third Sale Equity Interest”	the entire equity interests of the Third Project Company
“Tianan Life”	天安人壽保險股份有限公司 (Tianan Life Insurance Co., Ltd.), a company established in the PRC with limited liability
“Transition Period”	in respect of each Disposal, the period from (but excluding) the Reference Date to (and including) the date of completion of such Disposal
“Transition Period Audit”	an audit to be performed by an auditor engaged by the Purchaser with respect to each Project Company for the Transition Period
“Zhongke”	中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*), a company established in the PRC with limited liability
“Zhuhai Jiuyin”	珠海久銀股權投資基金管理有限公司 (Zhuhai Jiuyin Equity Investment Fund Management Co., Ltd.*), a limited partnership established in the PRC
“%”	per cent.

By Order of the Board  
**Kong Sun Holdings Limited**  
**Mr. Jin Yanbing**  
*Executive Director*

Hong Kong, 11 July 2021

*As of the date of this announcement, the Board comprises two executive Directors, Mr. Jin Yanbing and Mr. Qin Hongfu, one non-executive Director, Mr. Jiang Hengwen and three independent non-executive Directors, Mr. Lang Wangkai, Ms. Wu Wennan and Mr. Xu Xiang.*

\* For identification purposes only