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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)

**DISCLOSEABLE TRANSACTION
FINANCE LEASE ARRANGEMENT**

THE FINANCE LEASE AGREEMENT

On 12 December 2022, Datong Wantong, as lessee, entered into the Finance Lease Agreement with Hebei Financial Leasing, as lessor, pursuant to which Hebei Financial Leasing shall purchase the Leased Assets from Datong Wantong for a total consideration of RMB80,000,000. The Leased Assets would then be leased to Datong Wantong for a term of 10 years. The ownership of the Leased Assets under the Finance Lease Agreement will be vested in Hebei Financial Leasing throughout the lease period. At the end of the lease period and subject to payments by Datong Wantong of all amounts due under the Finance Lease Agreement, the ownership of the Leased Assets will be vested in Datong Wantong at nil consideration.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement and the transactions contemplated thereunder is more than 5% but all of them are lower than 25%, the entering into of the Finance Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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Date

12 December 2022

Parties

Lessor: Hebei Financial Leasing

Lessee: Datong Wantong

The Finance Lease Agreement comprised (i) the purchase of the Leased Assets by Hebei Financial Leasing from Datong Wantong; and (ii) the lease arrangements.

Sale and purchase arrangements

Pursuant to the Finance Lease Agreement, Hebei Financial Leasing shall purchase the Leased Assets from Datong Wantong for a total consideration of RMB80,000,000. The consideration shall be payable in cash by Hebei Financial Leasing to Datong Wantong, which was determined after arm's length negotiations between parties to the Finance Lease Agreement by reference to the prevailing market price of the Leased Assets.

Lease back arrangements

Pursuant to the Finance Lease Agreement, Hebei Financial Leasing agreed to lease the Leased Assets to Datong Wantong for a term of 10 years.

Lease payments

Pursuant to the Finance Lease Agreement, the total estimated aggregate lease payments payable by Datong Wantong to Hebei Financial Leasing shall be approximately RMB108,387,000 in 40 quarterly instalments, being the principal lease cost of RMB80,000,000 plus the estimated aggregate interest of RMB28,387,000 calculated at an interest rate of 6.2%, which is a fixed rate determined with reference to the loan prime rate with a maturity of over 5 years as promulgated by the National Interbank Funding Centre under the authority of the People's Bank of China at 4.3% plus 190 basis points. Datong Wantong intends to finance the total lease payments by using the Group's internal resources.

The obligations of Datong Wantong under the Finance Lease Agreement shall be secured by (a) a corporate guarantee from Kong Sun Yongtai; (b) the pledge of the entire equity interest in Datong Wantong by Kong Sun Yongtai; and (c) pledges on the electricity bill receivables by Datong Wantong.

Ownership of the Leased Assets

During the lease period, the ownership of the Leased Assets under the Finance Lease Agreement will be vested in Hebei Financial Leasing and Datong Wantong has the rights to use the Leased Assets. At the end of the lease period and subject to payments by Datong Wantong of all amounts due under the Finance Lease Agreement, the ownership of the Leased Assets will be vested in Datong Wantong at nil consideration.

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

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Finance Lease Agreement and the transactions contemplated therein have been agreed under normal commercial terms and after arm's length negotiations between the relevant parties and provide the Group with long-term financial resources for the development and operation of the photovoltaic power plant projects. The Directors therefore consider that the terms of the Finance Lease Agreement and the transactions contemplated therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE LEASED ASSETS

As at 31 October 2022, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets was approximately RMB135,970,000.

	For the year ended	
	31 December	
	2020	2021
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
The profit before tax attributable to the Leased Assets	4,763	5,789
The profit after tax attributable to the Leased Assets	4,170	5,060

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Agreement shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss.

INFORMATION ON DATONG WANTONG, THE COMPANY AND KONG SUN YONGTAI

Datong Wantong is an indirect wholly-owned subsidiary of the Company and is principally engaged in solar power generation.

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

Kong Sun Yongtai is an indirect wholly-owned subsidiary of the Company and wholly owns Datong Wantong. It is principally engaged in the investment in and operation of solar power plants.

INFORMATION ON HEBEI FINANCIAL LEASING

Hebei Financial Leasing is principally engaged in the finance leases and factoring businesses. As at the date of this announcement, Hebei Financial Leasing is held as to approximately 21.43% and 18.37% by 河北建設投資集團有限責任公司 (Hebei Construction & Investment Group Co., Ltd.*) (“**Hebei Construction**”) and 新奧集團股份有限公司 (ENN Group Co., Ltd.*) (“**ENN Group**”), respectively, and the remaining equity interest of Hebei Financial Leasing is held by other Independent Third Parties. Hebei Construction is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Hebei Province. ENN Group is ultimately owned by 19 PRC residents, including 趙寶菊 (Zhao Baoju), 劉德潤 (Liu Derun), 趙雲生 (Zhao Yunsheng), 尹學信 (Yin Xuexin), 喬利民 (Qiao Limin), 趙金峰 (Zhao Jinfeng), 鞠喜林 (Ju Xinglin) and 韓繼深 (Han Jishen).

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

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement and the transactions contemplated thereunder is more than 5% but all of them are lower than 25%, the entering into of the Finance Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	board of Directors
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 295)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Datong Wantong”	大同市皖銅新能源有限公司 (Datong Wantong New Energy Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 12 December 2022 entered into between Datong Wantong, as lessee, and Hebei Financial Leasing, as lessor, for the Leased Assets for a total consideration of RMB80,000,000
“Group”	the Company and its subsidiaries
“Hebei Financial Leasing”	河北省金融租賃有限公司 (Hebei Financial Leasing Co., Ltd.*), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who are independent of the Company and connected persons of the Company

“Kong Sun Yongtai”	江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holding Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Leased Assets”	certain photovoltaic power generating equipment and ancillary facilities regarding a 20MW photovoltaic power plant located in Datong City, Shanxi Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 12 December 2022

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

* *For identification purposes only*