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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 7 March 2023, Shengzhou Yihui, as lessee, entered into the Finance Lease Agreement with CDB Leasing, as lessor, pursuant to which CDB Leasing shall purchase the Leased Assets from Shengzhou Yihui for a total consideration of RMB110,000,000. The Leased Assets would then be leased to Shengzhou Yihui for a term of 12 years. The ownership of the Leased Assets under the Finance Lease Agreement will be vested in CDB Leasing throughout the Lease Period. At the end of the Lease Period and subject to payments by Shengzhou Yihui of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the ownership of the Leased Assets will be vested in Shengzhou Yihui.

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 is more than 5% but all of them are lower than 25%, the entering into of the Finance Lease Agreement constitutes 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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A summary of the principal terms of the Finance Lease Agreement is set out below:

Sale and purchase arrangements and consideration

Pursuant to the Finance Lease Agreement, CDB Leasing shall purchase the Leased Assets from Shengzhou Yihui for a total consideration of RMB110,000,000. The consideration shall be payable in cash by CDB Leasing to Shengzhou Yihui, 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.

The consideration shall be payable by Shengzhou Yihui after the fulfillment of certain conditions precedent as set out in the Finance Lease Agreement.

Conditions precedent

Payment of the consideration under the Finance Lease Agreement is subject to fulfilment of the following conditions precedent, which are waivable by CDB Leasing:

- (a) the Transaction Documents having been executed and taken effect;
- (b) the completion of the relevant registration procedures in relation to the Pledges; and the receipt by CDB Leasing from the security providers of the internal authorization documents, approval (if any) and announcements (if any) required for the guarantee and the Pledges;
- (c) CDB Leasing having received the relevant documentary proof for confirming the ownership of the Leased Assets;
- (d) the warranties provided by Shengzhou Yihui under the Finance Lease Agreement being true, complete and not misleading in any material respect;
- (e) there being no breach of any agreement entered into between Shengzhou Yihui and its affiliates and CDB Leasing;

- (f) CDB Leasing having received all relevant documentary evidence showing that the Leased Assets having been insured in accordance with the requirements of CDB Leasing;
- (g) the provision of other information as requested by CDB Leasing; and
- (h) there being no significant change in relation to the national fiscal, tax and financial regulatory policies and the financing cost.

Lease back arrangements

Pursuant to the Finance Lease Agreement, CDB Leasing agreed to lease the Leased Assets to Shengzhou Yihui for a term of 12 years.

Lease payments

Pursuant to the Finance Lease Agreement, the total estimated aggregate lease payments payable by Shengzhou Yihui to CDB Leasing shall be approximately RMB153,486,000 in 48 quarterly instalments, being the principal lease cost of RMB110,000,000 plus the estimated aggregate interest of approximately RMB43,486,000. The estimated interests are calculated at a floating rate determined with reference to the LPR on 20 February 2023 at 4.3% plus 120 basis point. The lease interest rate shall be adjusted on 1st January of each calendar year during the Lease Period by reference to the corresponding change of the most recent LPR before the adjustment date. Shengzhou Yihui intends to finance the total lease payments by using the Group's internal resources.

The obligations of Shengzhou Yihui under the Finance Lease Agreement shall be secured by the Pledges and a corporate guarantee from Kong Sun Yongtai in favour of CDB Leasing.

Ownership of the Leased Assets

During the Lease Period, the ownership of the Leased Assets under the Finance Lease Agreement will be vested in CDB Leasing and Shengzhou Yihui has the rights to use the Leased Assets. At the end of the Lease Period and subject to payments by Shengzhou Yihui of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the ownership of the Leased Assets will be vested in Shengzhou Yihui.

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

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Transaction Documents and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations between the relevant parties and provide the Group with general working capital. The Directors therefore consider that the terms of the Transaction Documents and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE LEASED ASSETS

As at 31 December 2022, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets was approximately RMB119,318,000.

| | For the year ended | |
|---|--------------------|-------------|
| | 31 December | |
| | 2021 | 2022 |
| | (unaudited) | (unaudited) |
| | (RMB'000) | (RMB'000) |
| The profit before tax attributable to the Leased Assets | 12,641 | 12,639 |
| The profit after tax attributable to the Leased Assets | 11,061 | 9,479 |

INFORMATION ON SHENGZHOU YIHUI

As at 31 December 2022, the unaudited book value (prepared under the PRC GAAP) of Shengzhou Yihui was approximately RMB50,659,000.

| | For the year ended | |
|---|--------------------|-------------|
| | 31 December | |
| | 2021 | 2022 |
| | (unaudited) | (unaudited) |
| | (RMB'000) | (RMB'000) |
| The profit before tax attributable to Shengzhou Yihui | 3,575 | 5,248 |
| The profit after tax attributable to Shengzhou Yihui | 3,175 | 3,934 |

FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENT AND USE OF PROCEEDS

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Arrangement shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss. After deducting the incidental costs attributable to the Finance Lease Arrangement, the Group will receive net disposal proceeds of approximately RMB109,500,000 under the Finance Lease Arrangement, which is expected to be used for general working capital by 31 December 2023.

INFORMATION ON THE COMPANY, KONG SUN YONGTAI, CHANGSHU HONGLUE AND SHENGZHOU YIHUI

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 a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in the investment and operation of solar-power plants.

Changshu Honglue is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in solar power generation. As at the date of this announcement, Changshu Honglue is wholly owned by Kong Sun Yongtai.

Shengzhou Yihui is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in solar power generation. As at the date of this announcement, Shengzhou Yihui is wholly owned by Changshu Honglue.

INFORMATION ON CDB FINANCIAL LEASING

CDB Leasing is a non-banking financial institution established in the PRC whose shares are listed on the main board of the Stock Exchange (Stock Code: 01606). CDB Leasing and its subsidiaries are principally engaged in providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, inclusive finance, new energy and manufacturing of high-end equipment. As at the date of this announcement, CDB Leasing is held as to (i) approximately 64.40% interest by 國家開發銀行 (China Development Bank*) (“CDB”); (ii) approximately 6.29% interest by 天津航空有限責任公司 (Tianjin Airlines Co., Ltd.*) (“Tianjin Airlines”); and (iii) approximately 5.43% interest by 中國長江三峽集團有限公司 (China Three Gorges Corporation*) (“CTG”).

CDB is a state-owned enterprise established in the PRC with limited liability. Based on publicly available information, CDB is held as to (i) approximately 36.54% interest by 中國財政部 (the Ministry of Finance of the PRC*); (ii) approximately 34.68% interest by 中國國務院 (the State Council of the PRC*) through 中央匯金投資有限責任公司 (Central Huijin Investment Ltd.*); and (iii) approximately 27.19% interest by 國家外匯管理局 (the State Administration of Foreign Exchange*) through 梧桐樹投資平台有限責任公司 (Buttonwood Investment Holding Company Ltd.*).

Tianjin Airlines is a company established in the PRC with limited liability. Based on publicly available information, Tianjin Airlines is held as to (i) approximately 48% interest by 海航集團有限公司 (HNA Group Company Ltd.*); (ii) approximately 47.82% interest by 海南航空控股股份有限公司 (Hainan Airlines Co., Ltd.*); and (iii) approximately 4.18% interest by 天津保稅區投資有限公司 (Tianjin Port Free Trade ZONE Investment Co., Ltd.*).

CTG is a state-owned enterprise established in the PRC with limited liability. Based on publicly available information, the ultimate beneficial owner is 國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council*).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, CDB 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 is more than 5% but all of them are lower than 25%, the entering into of the Finance Lease Agreement constitutes 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 |
| “CDB Leasing” | 國銀金融租賃股份有限公司 (China Development Bank Financial Leasing Co., Ltd.*), a joint stock company established in the PRC with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01606) |

| | |
|--------------------------------|--|
| “Changshu Honglue” | 常熟宏略光伏电站開發有限公司 (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 |
| “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 |
| “Director(s)” | director(s) of the Company |
| “Finance Lease Agreement” | the finance lease agreement dated 7 March 2023 entered into between Shengzhou Yihui, as lessee, and CDB Leasing, as lessor, for the Leased Assets for a total consideration of RMB110,000,000 |
| “Finance Lease Arrangement” | the transactions contemplated under the Transaction Documents |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the 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 |
| “Lease Period” | the lease period of 12 years commencing on the date of payment of the total consideration for the Leased Assets by Shengzhou Yihui |
| “Leased Assets” | certain photovoltaic power generating equipment and ancillary facilities regarding a 19.8MW photovoltaic power plant located in Sanjie Town, Shaoxing City, Zhejiang Province, the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “LPR” | the loan prime rate for loans with a maturity of above 5 years as promulgated by the National Interbank Funding Centre under the authority of the People’s Bank of China |

| | |
|-------------------------|---|
| “MW” | megawatts |
| “Pledges” | collectively, (a) a pledge on the electricity bill receivables by Shengzhou Yihui (in the approximate amount of RMB31,014,000 as at 31 December 2022); (b) a pledge of the entire equity interest in Shengzhou Yihui by Changshu Honglue; and (c) a pledge on equipment and facilities relating to the Leased Assets in the approximate value of RMB119,318,000, all in favour of CDB Leasing |
| “PRC” | the People’s Republic of China |
| “PRC GAAP” | the 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 |
| “Shengzhou Yihui” | 嵊州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transaction Documents” | collectively, the Finance Lease Agreement and the relevant agreements relating to the Pledges |
| “%” | per cent. |

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

Hong Kong, 7 March 2023

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

* *For identification purposes only*