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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 27 July 2023, Yulin Zhengxin, as lessee, and CIMC Capital, as lessor, entered into the Finance Lease Agreement, pursuant to which CIMC Capital agreed to purchase the Leased Assets from Yulin Zhengxin for a total consideration of RMB150,000,000. The Leased Assets would then be leased to Yulin Zhengxin for a term of 13 years. The legal ownership of the Leased Assets under the Finance Lease Agreement will be vested in CIMC Capital throughout the Lease Period. At the end of the Lease Period and subject to payments by Yulin Zhengxin of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the legal ownership of the Leased Assets will be vested in Yulin Zhengxin.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement is more than 5% and 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 subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE FINANCE LEASE AGREEMENT**

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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, CIMC Capital shall purchase the Leased Assets from Yulin Zhengxin for a total consideration of RMB150,000,000. The consideration shall be payable in cash by CIMC Capital to Yulin Zhengxin, 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 total consideration shall be payable by Yulin Zhengxin in full 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 CIMC Capital:

- (a) the relevant Transaction Documents having been executed and taken effect;
- (b) CIMC Capital having received the relevant documentary proof of Yulin Zhengxin's ownership of the Leased Assets;
- (c) CIMC Capital having obtained supervision of the relevant bank account of Yulin Zhengxin as agreed; and
- (d) there being no significant change in relation to the national fiscal, tax, financial or finance lease regulatory policies or significant increase in financing cost.

## **Lease back arrangements**

Pursuant to the Finance Lease Agreement, CIMC Capital agreed to lease the Leased Assets to Yulin Zhengxin for a term of 13 years.

## **Lease payments**

Pursuant to the Finance Lease Agreement, the total estimated aggregate lease payments payable by Yulin Zhengxin to CIMC Capital is approximately RMB215,662,000 payable in 52 quarterly instalments, being the principal lease cost of RMB150,000,000 plus the estimated aggregate interest of approximately RMB65,662,000. The estimated interests are calculated at a floating rate determined with reference to the LPR on 20 July 2023 at 4.2% plus 160 basis points. The lease interest rate shall be adjusted on 1st July of each calendar year during the Lease Period by reference to the corresponding change to the most recent LPR before the adjustment date. Yulin Zhengxin intends to finance the total lease payments by using the Group's internal resources.

The obligations of Yulin Zhengxin under the Finance Lease Agreement shall be secured by the Pledges provided by Kong Sun Yongtai, and the corporate guarantees provided by Kong Sun Yongtai and the Company, all in favour of CIMC Capital.

## **Ownership of the Leased Assets**

During the Lease Period, the legal ownership of the Leased Assets under the Finance Lease Agreement will be vested in CIMC Capital and Yulin Zhengxin will have the rights to use the Leased Assets. At the end of the Lease Period and subject to payments by Yulin Zhengxin of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the Leased Assets, the legal ownership of the Leased Assets will be vested in Yulin Zhengxin.

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 amount 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 Finance Lease Arrangement 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 Finance Lease Arrangement 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 30 June 2023, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets was approximately RMB164,070,000. The key financial information (prepared under the PRC GAAP) of the Leased Assets for the two years ended 31 December 2022 is set out as follows:

	For the year ended	
	31 December	
	2021	2022
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
The profit before tax attributable to the Leased Assets	14,864	14,589
The profit after tax attributable to the Leased Assets	13,006	12,401

## INFORMATION ON YULIN ZHENGXIN

As at 30 June 2023, the unaudited book value (prepared under the PRC GAAP) of Yulin Zhengxin was approximately RMB70,376,000. The key financial information (prepared under the PRC GAAP) of Yulin Zhengxin for the two years ended 31 December 2022 is set out as follows:

	For the year ended	
	31 December	
	2021	2022
	(Audited)	(Audited)
	(RMB'000)	(RMB'000)
The loss before tax attributable to Yulin Zhengxin	692	21
The loss after tax attributable to Yulin Zhengxin	692	195

## 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 RMB149,500,000 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 AND YULIN ZHENGXIN

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.

Yulin Zhengxin 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, Yulin Zhengxin is wholly owned by Kong Sun Yongtai.

## INFORMATION ON CIMC CAPITAL

CIMC Capital is a non-banking financial institution established in the PRC. CIMC Capital and its subsidiaries are principally engaged in providing financial leasing services. As at the date of this announcement, CIMC Capital is held as to (i) approximately 39.43% by 深圳市資本運營集團有限公司 (Shenzhen Capital Operation Group Co., Ltd.\*) (“**Shenzhen Capital**”); (ii) approximately 45.43% by 中國國際海運集裝箱(集團)股份有限公司 (China International Marine Containers (Group) Co., Ltd.) (“**CIMC**”); (iii) approximately 13.89% by 深圳市能源集團有限公司 (Shenzhen Energy Group Co., Ltd.\*) (“**Shenzhen Energy**”); and (iv) approximately 1.25% by 天津凱瑞康企業管理諮詢合夥企業(有限合夥) (Tianjin Kairuikang Corporation Management Consultancy Investment Partnership (Limited Partnership)\*) (“**Kairuikang**”).

Shenzhen Capital is wholly-owned by 深圳市人民政府國有資產監督管理委員會 (the State Council of the PRC, Shenzhen Province). The A shares and the H shares of CIMC are listed on the main board of the Shenzhen Stock Exchange (Stock Code: 000039) and the main board of the Stock Exchange (Stock Code: 02039). Shenzhen Energy is held as to 75% and 25% by Huaneng Power International Corporation (“**Huaneng**”) and Shenzhen Capital, respectively. Kairuikang is effectively held as to 50% by Wang Zhiwu and Zheng Chensong, respectively.

The A shares and the H shares of Huaneng are listed on the main board of the Shanghai Stock Exchange (Stock Code: 600011) and the main board of the Stock Exchange (Stock Code: 00902.)

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement is more than 5% and 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 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
“CIMC Capital”	中集融資租賃有限公司 (CIMC Capital 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
“Director(s)”	director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 27 July 2023 entered into between Yulin Zhengxin, as lessee, and CIMC Capital, as lessor, in respect of the Leased Assets
“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 under the Finance Lease Agreement
“Leased Assets”	certain photovoltaic power generating equipment and ancillary facilities regarding a 30MW photovoltaic power plant located in Shaanxi 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 all receivables by Yulin Zhengxin (in the approximate amount of RMB123,174,000 as at 30 June 2023); (b) a pledge of the entire equity interest in Yulin Zhengxin by Kong Sun Yongtai; and (c) a pledge on equipment and facilities relating to the Leased Assets in the approximate value of RMB164,070,000, all in favour of CIMC Capital to secure the obligations of Yulin Zhengxin under the Finance Lease Agreement
“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

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	collectively, the Finance Lease Agreement and the relevant agreements relating to the Pledges
“Yulin Zhengxin”	榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 27 July 2023

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

\* *For identification purposes only*