

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 SIX SUBSIDIARIES  
INVOLVING PROVISION OF GUARANTEE  
AND FINANCIAL ASSISTANCE**

**THE DISPOSALS**

On 11 August 2023, the Vendors (wholly-owned subsidiaries of the Company), the Purchaser and the Project Companies, among others, entered into the Disposal Agreements, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interests in the Project Companies (which hold in total six (6) solar power projects in the PRC) for a total consideration of approximately RMB758,028,000. The Company agreed to guarantee the obligations of the Vendors under the Disposal Agreements in favour of the Purchaser.

Upon completion of the Disposals, the Project Companies will cease to be subsidiaries of the Company and the results of the Project Companies will cease to be consolidated in the results of the Group.

**THE CONTINUATION OF THE GUARANTEES AND THE DEBTS**

The relevant Project Companies shall repay the Debts owing to the Group in accordance with the terms of the relevant Disposal Agreements. During the period after completion of the relevant Disposals and before the repayment of the Debts in full, the Debts provided by the Group will constitute financial assistance to the relevant Project Companies. In addition, the Purchaser is required to procure the release of the Guarantees in respect of certain existing borrowings of certain Project Companies within 90 days of completion of the Disposals. During the period after completion of the Disposals and before the release of the Guarantees, the Guarantees provided by the Group will continue to be effective.

## LISTING RULES IMPLICATIONS

### **The Disposals**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, exceeds 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.

### **The Continuation of the Guarantees and the Debts**

As the highest percentage ratio in respect of the Guarantees and the Debts exceeds 25%, the continuation of the Guarantees and the Debts provided by the Group to the relevant Project Companies after completion of the relevant Disposals is subject to the reporting, announcement and Shareholders' approval 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, the continuation of the Guarantees and the Debts, and the transactions contemplated under them. A circular containing, among other things, further details of the Disposals, the Guarantees and the Debts, 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 30 September 2023 as additional time is required to prepare the information to be included in the circular.

**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 11 August 2023, the Vendors (wholly-owned subsidiaries of the Company), the Purchaser and the Project Companies, among others, entered into the Disposal Agreements, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interests in the Project Companies (which hold in total six (6) solar power projects in the PRC) for a total consideration of approximately RMB758,028,000. The Company agreed to guarantee the obligations of the Vendors under the Disposal Agreements in favour of the Purchaser.

The principal terms of each of the Disposal Agreements are summarised as follows:

**(A) The First Agreement**

***Subject matter***

On 11 August 2023, Tianhao New Energy, the Purchaser and the First Project Company entered into the First Agreement, pursuant to which Tianhao New Energy conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the First Sale Equity Interest. The Company agreed to guarantee the obligations of Tianhao New Energy under the First Agreement in favour of the Purchaser and the First Project Company.

***Consideration***

The consideration for the First Disposal is approximately RMB607,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of RMB200,000, representing approximately 32.9% of the consideration for the First Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the First Disposal and shall then be transferred to the designated bank account of Tianhao New Energy within five (5) business days after the First Completion Date; and
- (b) the balance of approximately RMB407,000, representing approximately 67.1% of the consideration for the First Disposal, shall be paid to Tianhao New Energy within fifteen (15) business days after the First Project having passed the relevant verification process and becoming included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority.

***Repayment of the First Debts***

As at the Reference Date, the First Project Company had outstanding First Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB312,945,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within fifteen (15) business days after the First Completion Date for the parties' confirmation, and the official report will be issued within five (5) business days after such confirmation.

The outstanding First Debts based on the Transition Period Audit report shall be payable by the First Project Company to Tianhao New Energy in cash in the following manner:

- (a) an amount of approximately RMB50,618,000 shall be paid within five (5) business days after the issue of the official Transition Period Audit report;

- (b) a total amount of RMB3,015,000, which is equivalent to the total costs of certain rectification works of the First Project undertaken to be carried out and completed by Tianhao New Energy within six (6) months after the First Completion Date, shall be paid to Tianhao New Energy within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the First Completion Date;
- (c) (provided that the First Project has passed the relevant verification procedures and has been included in the list of projects qualified for state renewable energy subsidies published by the relevant PRC authority) within ten (10) business days after the issue of the Transition Period Audit report (in respect of the Subsidies Receivable received before the First Completion Date) and within ten (10) business days every time the First Project Company receives the Subsidies Receivable after the First Completion Date, an amount equivalent to such Subsidies Receivable received by the First Project Company, adding up to a total amount of approximately RMB14,022,000, shall be paid to Tianhao New Energy;
- (d) an amount of approximately RMB212,849,000 shall be paid within fifteen (15) business days after the First Project has passed the relevant verification process and become included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority; and
- (e) the balance of approximately RMB32,441,000 shall be paid within fifteen (15) business days after the Third Project has passed the relevant verification process and become included in the list of projects qualified for state renewable energy subsidies as published by the relevant authority.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the First Disposal pursuant to the terms of the First Agreement or the First Project Company fails to repay any instalment of the First Debts pursuant to the terms of the First Agreement, the Purchaser and/or the First Project Company (as the case may be) shall be liable to pay to Tianhao New Energy a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Tianhao New Energy shall be entitled to terminate the First Agreement, upon which all the payments made by the Purchaser and the First Project Company shall be refunded and the Purchaser shall pay to Tianhao New Energy a default payment of approximately RMB61,000, representing 10% of the consideration for the First Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the First Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the First Debts) having been obtained in accordance with the Listing Rules;

- (b) the representations, warranties and undertakings provided by Tianhao New Energy in the First Agreement being and remaining true, complete and accurate in all material respects as at the date of the First Agreement and the First Completion Date;
- (c) the litigation and arbitration cases of the First Project Company as debtor having been closed, executed and performed completely, the High Consumption Restriction imposed on the First Project Company having been lifted, and the First Project Company having been removed from the List of Dishonest Enforcees; and
- (d) the obligations of the First Project Company as guarantor for the indebtedness of the Third Project Company owing to CITIC Financial Leasing having been released.

Tianhao New Energy shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the First Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Tianhao New Energy to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).

#### ***Arrangements during the Transition Period***

Subject to the First Agreement, any profits generated in the ordinary course of business of the First Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the First Project Company during the Transition Period shall be borne by Tianhao New Energy. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the First Agreement the amount of any such loss based on the Transition Period Audit report.

During the Transition Period, Tianhao New Energy shall ensure that, among other things, the First Project Company will continue its normal business operations in accordance with its previous practices. No encumbrances or other third party rights shall be created with respect to the First Sale Equity Interest without the prior written consent of the Purchaser.

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

##### ***Subject matter***

On 11 August 2023, Kong Sun Yongtai, 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 under the Second Agreement in favour of the Purchaser and the Second Project Company.

### ***Consideration***

The consideration for the Second Disposal is approximately RMB40,529,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of RMB1,000,000, representing approximately 2.5% of the consideration for the Second Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the Second Disposal and shall then be transferred to the designated bank account of Kong Sun Yongtai within five (5) business days after the Second Completion Date;
- (b) within ten (10) business days upon each receipt by the Second Project Company of the Subsidies Receivable, an equivalent amount shall be paid to Kong Sun Yongtai, adding up to a total amount of approximately RMB8,507,000, representing approximately 21.0% of the consideration for the Second Disposal; and
- (c) the balance of approximately RMB31,022,000, representing approximately 76.5% of the consideration for the Second Disposal, shall be paid to Kong Sun Yongtai within fifteen (15) business days after (i) the Second Project having been included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority and the on-grid electricity price is at a pre-determined price, or (ii) the Second Project Company having received the first batch of state renewable energy subsidies.

### ***Repayment of the Second Debts***

As at the Reference Date, the Second Project Company had outstanding Second Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB128,538,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within fifteen (15) business days after the Second Completion Date for the parties' confirmation, and the official report will be issued within five (5) business days after such confirmation.

The outstanding Second Debts based on the Transition Period Audit report shall be payable by the Second Project Company to Kong Sun Yongtai in cash in the following manner:

- (a) an amount of approximately RMB29,222,000 shall be paid within five (5) business days after the issue of the official Transition Period Audit report;
- (b) a total amount of RMB6,174,000, which is equivalent to the total costs of certain rectification works of the Second Project undertaken to be carried out and completed by Kong Sun Yongtai within six (6) months after the Second Completion Date, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the Second Completion Date; and

- (c) the balance of approximately RMB93,142,000 shall be paid within fifteen (15) business days after (i) the Second Project having been included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority and the on-grid electricity price is at a pre-determined price, or (ii) the Second Project Company having received the first batch of state renewable energy subsidies.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the Second Disposal pursuant to the terms of the Second Agreement or the Second Project Company fails to repay any instalment of the Second Debts pursuant to the terms of the Second Agreement, the Purchaser and/or the Second Project Company (as the case may be) shall be liable to pay to Kong Sun Yongtai a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Kong Sun Yongtai shall be entitled to terminate the Second Agreement, upon which all the payments made by the Purchaser and the Second Project Company shall be refunded and the Purchaser shall pay to Kong Sun Yongtai a default payment of approximately RMB4,053,000, representing 10% of the consideration for the Second Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the Second Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the Second Guarantee and the Second Debts) having been obtained in accordance with the Listing Rules;
- (b) the representations, warranties and undertakings provided by Kong Sun Yongtai in the Second Agreement being and remaining true, complete and accurate in all material respects as at the date of the Second Agreement and the Second Completion Date; and
- (c) the freezing order over the Second Sale Equity Interest imposed by the PRC court having been discharged.

Kong Sun Yongtai shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the Second Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Kong Sun Yongtai to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).

### ***Arrangements during the Transition Period***

Subject to the Second Agreement, any profits generated in the ordinary course of business of the Second Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the Second Project Company during the Transition Period shall be borne by Kong Sun Yongtai. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Second Agreement the amount of any such loss based on the Transition Period Audit report.

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 previous practices. No encumbrances or other third party rights shall be created with respect to the Second Sale Equity Interest without the prior written consent of the Purchaser.

### ***Release of the Second Guarantee***

As at 30 June 2023, the amount covered under the Second Guarantee is approximately RMB63,730,000, which is equivalent to the amount of the existing borrowing due by the Second Project Company to Hebei Financial Leasing. Pursuant to the Second Agreement, by no later than ninety (90) days after the Second Completion Date, the Purchaser shall procure the release of the Second Guarantee, failing which Kong Sun Yongtai shall be entitled to (1) a default payment payable by the Purchaser calculated at a daily rate of 0.05% based on the principal amount guaranteed; (2) rescind the Second Agreement; (3) a default payment payable by the Purchaser of approximately RMB4,053,000, representing 10% of the consideration for the Second Disposal; and (4) seek compensation from the Purchaser for the costs and expenses incurred by Kong Sun Yongtai as a result of the Purchaser's breach. In this case, the Company will assess the possible implications under the Listing Rules and make further disclosure as and when appropriate.

## **(C) The Third Agreement**

### ***Subject matter***

On 11 August 2023, Kong Sun Yongtai, the Purchaser and the Third Project Company entered into the Third Agreement, pursuant to which Kong Sun Yongtai 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 under the Third Agreement in favour of the Purchaser and the Third Project Company.



### ***Consideration***

The consideration for the Third Disposal is approximately RMB52,858,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of RMB1,000,000, representing approximately 1.9% of the consideration for the Third Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the Third Disposal and shall then be transferred to the designated bank account of Kong Sun Yongtai within five (5) business days after the Third Completion Date;
- (b) (provided that the Third Project has passed the relevant verification procedures and has been included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority) within ten (10) business days after the issue of the Transition Period Audit report (in respect of the Subsidies Receivable received before the Third Completion Date) and within ten (10) business days every time the Third Project Company receives the Subsidies Receivable after the Third Completion Date, an amount equivalent to such Subsidies Receivable received by the Third Project Company, adding up to a total amount of approximately RMB11,136,000, shall be paid to Kong Sun Yongtai, representing approximately 21.1% of the consideration for the Third Disposal; and
- (c) the balance of approximately RMB40,722,000, representing approximately 77.0% of the consideration for the Third Disposal, shall be paid within fifteen (15) business days after the Third Project having passed the relevant verification process and becoming included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority.

### ***Repayment of the Third Debts***

As at the Reference Date, the Third Project Company had outstanding Third Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB157,218,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within fifteen (15) business days after the Third Completion Date for the parties' confirmation, and the official report will be issued within five (5) business days after such confirmation

The outstanding Third Debts based on the Transition Period Audit report shall be payable by the Third Project Company to Kong Sun Yongtai in cash in the following manner:

- (a) a total amount of RMB3,762,000, which is equivalent to the total costs of certain rectification works of the Third Project undertaken to be carried out and completed by Kong Sun Yongtai within six (6) months after the Third Completion Date, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the Third Completion Date; and

- (b) the balance of approximately RMB153,456,000 shall be paid within fifteen (15) business days after the Third Project having been included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the Third Disposal pursuant to the terms of the Third Agreement or the Third Project Company fails to repay any instalment of the Third Debts pursuant to the terms of the Third Agreement, the Purchaser and/or the Third Project Company (as the case may be) shall be liable to pay to Kong Sun Yongtai a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Kong Sun Yongtai shall be entitled to terminate the Third Agreement, upon which all the payments made by the Purchaser and the Third Project Company shall be refunded and the Purchaser shall pay to Kong Sun Yongtai a default payment of approximately RMB5,286,000, representing 10% of the consideration for the Third Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the Third Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the Third Guarantee and the Third Debts) having been obtained in accordance with the Listing Rules;
- (b) the representations, warranties and undertakings provided by Kong Sun Yongtai in the Third Agreement being and remaining true, complete and accurate in all material respects as at the date of the Third Agreement and the Third Completion Date;
- (c) the litigation and arbitration cases of the Third Project Company as debtor having been closed, executed and performed completely, the High Consumption Restriction imposed on the Third Project Company having been lifted, and the Third Project Company having been removed from the List of Dishonest Enforcees; and
- (d) the obligations of the Third Project Company as guarantor for the indebtedness of the First Project Company owing to CITIC Financial Leasing having been released.

Kong Sun Yongtai shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the Third Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Kong Sun Yongtai to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).

### ***Arrangements during the Transition Period***

Subject to the Third Agreement, any profits generated in the ordinary course of business of the Third Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the Third Project Company during the Transition Period shall be borne by Kong Sun Yongtai. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Third Agreement the amount of any such loss based on the Transition Period Audit report.

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 previous practices. No encumbrances or other third party rights shall be created with respect to the Third Sale Equity Interest without the prior written consent of the Purchaser.

### ***Release of the Third Guarantee***

As at 30 June 2023, the amount covered under the Third Guarantee is approximately RMB66,040,000, which is equivalent to the amount of the existing borrowing due by the Third Project Company to CITIC Financial Leasing. Pursuant to the Third Agreement, by no later than ninety (90) days after the Third Completion Date, the Purchaser shall procure the release of the Third Guarantee, failing which Kong Sun Yongtai shall be entitled to (1) a default payment payable by the Purchaser calculated at a daily rate of 0.05% based on the principal amount guaranteed; (2) rescind the Third Agreement; (3) a default payment payable by the Purchaser of approximately RMB5,286,000, representing 10% of the consideration for the Third Disposal; and (4) seek compensation from the Purchaser for the costs and expenses incurred by Kong Sun Yongtai as a result of the Purchaser's breach. In this case, the Company will assess the possible implications under the Listing Rules and make further disclosure as and when appropriate.

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

### ***Subject matter***

On 11 August 2023, 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 under the Fourth Agreement in favour of the Purchaser and the Fourth Project Company.

### ***Consideration***

The consideration for the Fourth Disposal is approximately RMB38,501,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of approximately RMB23,100,000, representing approximately 60.0% of the consideration for the Fourth Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the Fourth Disposal and shall then be transferred to the designated bank account of Changshu Honglue within five (5) business days after the Fourth Completion Date;
- (b) an amount of approximately RMB13,611,000, representing approximately 35.4% of the consideration for the Fourth Disposal, shall be paid to Changshu Honglue within five (5) business days after the handover of the Deliverable Items related to the Fourth Project Company; and
- (c) within ten (10) business days after the issue of the Transition Period Audit report (in respect of the Subsidies Receivable received before the Fourth Completion Date) and within ten (10) business days every time the Fourth Project Company receives the Subsidies Receivable after the Fourth Completion Date, an amount equivalent to such Subsidies Receivable received by the Fourth Project Company, adding up to a total amount of approximately RMB1,790,000, shall be paid to Changshu Honglue, representing approximately 4.6% of the consideration for the Fourth Disposal.

### ***Repayment of the Fourth Debts***

As at the Reference Date, the Fourth Project Company had outstanding Fourth Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB142,023,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within fifteen (15) business days after the Fourth Completion Date for the parties' confirmation, and the official report will be issued within five (5) business days after such confirmation.

The outstanding Fourth Debts based on the Transition Period Audit report shall be payable by the Fourth Project Company to Changshu Honglue in cash in the following manner:

- (a) an amount of approximately RMB136,786,000 shall be paid within five (5) business days after the issue of the official Transition Period Audit report; and
- (b) a total amount of RMB5,237,000, which is equivalent to the total costs of certain rectification works of the Fourth Project undertaken to be carried out and completed by Changshu Honglue within six (6) months after the Fourth Completion Date, shall be paid to Changshu Honglue within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the Fourth Completion Date.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the Fourth Disposal pursuant to the terms of the Fourth Agreement or the Fourth Project Company fails to repay any instalment of the Fourth Debts pursuant to the terms of the Fourth Agreement, the Purchaser and/or the Fourth Project Company (as the case may be) shall be liable to pay to Changshu Honglue a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Changshu Honglue shall be entitled to terminate the Fourth Agreement, upon which all the payments made by the Purchaser and the Fourth Project Company shall be refunded and the Purchaser shall pay to Changshu Honglue a default payment of approximately RMB3,850,000, representing 10% of the consideration for the Fourth Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the Fourth Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the Fourth Guarantee and the Fourth Debts) having been obtained in accordance with the Listing Rules; and
- (b) the representations, warranties and undertakings provided by Changshu Honglue in the Fourth Agreement being and remaining true, complete and accurate in all material respects as at the date of the Fourth Agreement and the Fourth Completion Date.

Changshu Honglue shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the Fourth Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Changshu Honglue to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).

### ***Arrangements during the Transition Period***

Subject to the Fourth Agreement, any profits generated in the ordinary course of business of the Fourth Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the Fourth Project Company during the Transition Period shall be borne by Changshu Honglue. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Fourth Agreement the amount of any such loss based on the Transition Period Audit report.

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 previous practices. No encumbrances or other third party rights shall be created with respect to the Fourth Sale Equity Interest without the prior written consent of the Purchaser.

## ***Release of the Fourth Guarantee***

As at 30 June 2023, the amount covered under the Fourth Guarantee is approximately RMB109,900,000, which is equivalent to the amount of the existing borrowing due by the Fourth Project Company to CDB Leasing. Pursuant to the Fourth Agreement, by no later than ninety (90) days after the Fourth Completion Date, the Purchaser shall procure the release of the Fourth Guarantee, failing which Changshu Honglue shall be entitled to (1) a default payment payable by the Purchaser calculated at a daily rate of 0.05% based on the principal amount guaranteed; (2) rescind the Fourth Agreement; (3) a default payment payable by the Purchaser of approximately RMB3,850,000, representing 10% of the consideration for the Fourth Disposal; and (4) seek compensation from the Purchaser for the costs and expenses incurred by Changshu Honglue as a result of the Purchaser's breach. In this case, the Company will assess the possible implications under the Listing Rules and make further disclosure as and when appropriate.

## **(E) The Fifth Agreement**

### ***Subject matter***

On 11 August 2023, Changshu Honglue, the Purchaser and the Fifth Project Company entered into the Fifth Agreement, pursuant to which Changshu Honglue conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Fifth Sale Equity Interest. The Company agreed to guarantee the obligations of Changshu Honglue under the Fifth Agreement in favour of the Purchaser and the Fifth Project Company.

### ***Consideration***

The consideration for the Fifth Disposal is approximately RMB256,185,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of approximately RMB17,652,000, representing approximately 6.9% of the consideration for the Fifth Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the Fifth Disposal and shall then be transferred to the designated bank account of Changshu Honglue within five (5) business days after the Fifth Completion Date;
- (b) an amount of approximately RMB11,768,000, representing approximately 4.6% of the consideration for the Fifth Disposal, shall be paid to Changshu Honglue within five (5) business days after the handover of the Deliverable Items related to the Fifth Project Company;

- (c) (provided that the Fifth Project has passed the relevant verification procedures and has been included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority) within ten (10) business days after the issue of the Transition Period Audit report (in respect of the Subsidies Receivable received before the Fifth Completion Date) and within ten (10) business days every time the Fifth Project Company receives the Subsidies Receivable after the Fifth Completion Date, an amount equivalent to such Subsidies Receivable received by the Fifth Project Company, adding up to a total amount of approximately RMB13,685,000, shall be paid to Changshu Honglue, representing approximately 5.3% of the consideration for the Fifth Disposal; and
- (d) the balance of approximately RMB213,080,000, representing approximately 83.2% of the consideration for the Fifth Disposal, shall be paid to Changshu Honglue within fifteen (15) business days after the Fifth Project having passed the relevant verification process and becoming included in the list of projects qualified for state renewable energy subsidies as published by the relevant PRC authority.

### ***Repayment of the Fifth Debts***

As at the Reference Date, the Fifth Project Company had outstanding Fifth Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB55,603,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within fifteen (15) business days after the Fifth Completion Date for the parties' confirmation, and the official report will be issued within five (5) business days after such confirmation.

The outstanding Fifth Debts based on the Transition Period Audit report shall be payable by the Fifth Project Company to Changshu Honglue in cash in the following manner:

- (a) an amount of approximately RMB52,514,000 shall be paid within five (5) business days after the issue of the official Transition Period Audit report; and
- (b) a total amount of RMB3,089,000, which is equivalent to the total costs of certain rectification works of the Fifth Project undertaken to be carried out and completed by Changshu Honglue within six (6) months after the Fifth Completion Date, shall be paid to Changshu Honglue within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the Fifth Completion Date.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the Fifth Disposal pursuant to the terms of the Fifth Agreement or the Fifth Project Company fails to repay any instalment of the Fifth Debts pursuant to the terms of the Fifth Agreement, the Purchaser and/or the Fifth Project Company (as the case may be) shall be liable to pay to Changshu Honglue a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Changshu Honglue shall be entitled to terminate the Fifth Agreement, upon which all the payments made by the Purchaser and the Fifth Project Company shall be refunded and the Purchaser shall pay to Changshu Honglue a default payment of approximately RMB25,618,000, representing 10% of the consideration for the Fifth Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the Fifth Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the Fifth Guarantee and the Fifth Debts) having been obtained in accordance with the Listing Rules;
- (b) the representations, warranties and undertakings provided by Changshu Honglue in the Fifth Agreement being and remaining true, complete and accurate in all material respects as at the date of the Fifth Agreement and the Fifth Completion Date;
- (c) the litigation and arbitration cases of the Fifth Project Company as debtor having been closed, executed and performed completely, the High Consumption Restriction imposed on the Fifth Project Company having been lifted, and the Fifth Project Company having been removed from the List of Dishonest Enforcees; and
- (d) the obligations of the Fifth Project Company as guarantor for the bank borrowing of two wholly-owned subsidiaries of the Company having been released.

Changshu Honglue shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the Fifth Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Changshu Honglue to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).



### ***Arrangements during the Transition Period***

Subject to the Fifth Agreement, any profits generated in the ordinary course of business of the Fifth Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the Fifth Project Company during the Transition Period shall be borne by Changshu Honglue. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Fifth Agreement the amount of any such loss based on the Transition Period Audit report.

During the Transition Period, Changshu Honglue shall ensure that, among other things, the Fifth Project Company will continue its normal business operations in accordance with its previous practices. No encumbrances or other third party rights shall be created with respect to the Fifth Sale Equity Interest without the prior written consent of the Purchaser.

### ***Release of the Fifth Guarantee***

As at 30 June 2023, the amount covered under the Fifth Guarantee is approximately RMB156,310,000, which is equivalent to the amount of the existing borrowing due by the Fifth Project Company to Tianan Life Insurance. Pursuant to the Fifth Agreement, by no later than ninety (90) days after the Fifth Completion Date, the Purchaser shall procure the release of the Fifth Guarantee, failing which Changshu Honglue shall be entitled to (1) a default payment payable by the Purchaser calculated at a daily rate of 0.05% based on the principal amount guaranteed; (2) rescind the Fifth Agreement; (3) a default payment payable by the Purchaser of approximately RMB25,619,000, representing 10% of the consideration for the Fifth Disposal; and (4) seek compensation from the Purchaser for the costs and expenses incurred by Changshu Honglue as a result of the Purchaser's breach. In this case, the Company will assess the possible implications under the Listing Rules and make further disclosure as and when appropriate.

## **(F) The Sixth Agreement**

### ***Subject matter***

On 11 August 2023, 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 under the Sixth Agreement in favour of the Purchaser and the Sixth Project Company.

### ***Consideration***

The consideration for the Sixth Disposal is approximately RMB369,348,000, which shall be payable by the Purchaser in cash in the following manner:

- (a) an amount of approximately RMB43,546,000, representing approximately 11.8% of the consideration for the Sixth Disposal, shall first be paid into the Escrow Account not later than three (3) business days before completion of the Sixth Disposal and shall then be transferred to the designated bank account of Changshu Honglue within five (5) business days after the Sixth Completion Date;
- (b) an amount of approximately RMB314,825,000, representing approximately 85.2% of the consideration for the Sixth Disposal, shall be paid within five (5) business days after the issue of the official Transition Period audit report;
- (c) within ten (10) business days after the issue of the Transition Period Audit report (in respect of Subsidies Receivable received before the Sixth Completion Date) and within ten (10) business days every time the Sixth Project Company receives Subsidies Receivable after the Sixth Completion Date, an amount equivalent to such Subsidies Receivable received by the Sixth Project Company, adding up to a total amount of approximately RMB4,373,000, shall be paid to Changshu Honglue, representing approximately 1.2% of the consideration for the Sixth Disposal; and
- (d) the balance of approximately RMB6,604,000, representing approximately 1.8% of the consideration for the Sixth Disposal, which is equivalent to the total costs of certain rectification works of the Sixth Project undertaken to be carried out and completed by Changshu Honglue within six (6) months after the Sixth Completion Date, shall be paid to Changshu Honglue within ten (10) business days upon completion of such rectification works as inspected by the Purchaser once every three (3) months after the Sixth Completion Date.

### ***Repayment of the Sixth Debts***

As at the Reference Date, the Sixth Project Company had outstanding Sixth Debts, which is unsecured, interest-free and repayable on demand, in the amount of approximately RMB54,825,000, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined pursuant to the Transition Period Audit. The Transition Period Audit report will be issued within twenty (20) business days of completion of the Sixth Disposal.

The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Sixth Agreement the amount of the Sixth Debts based on the Transition Period Audit report.

### ***Default in payment***

If the Purchaser fails to pay any instalment of the consideration for the Sixth Disposal pursuant to the terms of the Sixth Agreement or the Sixth Project Company fails to repay any instalment of the Sixth Debts (if any) pursuant to the terms of the Sixth Agreement, the Purchaser and/or the Sixth Project Company (as the case may be) shall be liable to pay to Changshu Honglue a daily default interest of 0.05%. If the default continues for more than thirty (30) days from the relevant due date, Changshu Honglue shall be entitled to terminate the Sixth Agreement, upon which all the payments made by the Purchaser and the Sixth Project Company shall be refunded and the Purchaser shall pay to Changshu Honglue a default payment of approximately RMB36,935,000, representing 10% of the consideration for the Sixth Disposal within twenty (20) business days after such termination.

### ***Conditions Precedent***

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

- (a) the approval by the Board and the Shareholders at the EGM in respect of the Sixth Agreement and the transactions contemplated thereunder (including the guarantee to be provided by the Company and the continuation of the Sixth Guarantee) having been obtained in accordance with the Listing Rules;
- (b) the representations, warranties and undertakings provided by Changshu Honglue in the Sixth Agreement being and remaining true, complete and accurate in all material respects as at the date of the Sixth Agreement and the Sixth Completion Date; and
- (c) the obligations of the Sixth Project Company as guarantor for the bank borrowing of two wholly-owned subsidiaries of the Company having been released.

Changshu Honglue shall procure satisfaction of the conditions set out above on or before the Long Stop Date. If any of such conditions is not satisfied on or before the Long Stop Date, the Purchaser will be entitled to: (1) terminate the Sixth Agreement; (2) unilaterally decide to postpone the Long Stop Date or negotiate with Changshu Honglue to postpone the Long Stop Date; or (3) waive any condition (except the condition set out in (a) above which cannot be waived).

### ***Arrangements during the Transition Period***

Subject to the Sixth Agreement, any profits generated in the ordinary course of business of the Sixth Project Company during the Transition Period shall belong to the Purchaser, whereas any loss incurred in the ordinary course of business of the Sixth Project Company during the Transition Period shall be borne by Changshu Honglue. The Purchaser shall be entitled to deduct from any instalment of the consideration payable under the Sixth Agreement the amount of any such loss based on the Transition Period Audit report.

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 previous practices. No encumbrances or other third party rights shall be created with respect to the Sixth Sale Equity Interest without the prior written consent of the Purchaser.

### ***Release of the Sixth Guarantee***

As at 30 June 2023, the amount covered under the Sixth Guarantee is approximately RMB260,000,000, which is equivalent to the amount of the existing borrowing due by the Sixth Project Company to Huadian Financial Leasing. Pursuant to the Sixth Agreement, by no later than ninety (90) days after the Sixth Completion Date, the Purchaser shall procure the release of the Sixth Guarantee, failing which Changshu Honglue shall be entitled to (1) a default payment payable by the Purchaser calculated at a daily rate of 0.05% based on the principal amount guaranteed; (2) rescind the Sixth Agreement; (3) a default payment payable by the Purchaser of approximately RMB36,935,000, representing 10% of the consideration for the Sixth Disposal; and (4) seek compensation from the Purchaser for the costs and expenses incurred by Changshu Honglue as a result of the Purchaser's breach. In this case, the Company will assess the possible implications under the Listing Rules and make further disclosure as and when appropriate.

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

The total consideration for the Disposals of approximately RMB758,028,000 was determined upon arm's length negotiations between the parties with reference to (i) the unaudited net assets of the Project Companies, in the aggregate amount of approximately RMB869,776,000, adjusted by applying a discount of approximately 12.8%; (ii) the gearing position of the Project Companies as at 31 December 2022; and (iii) the valuation of the Project Companies in the amount of approximately RMB749,197,000 as appraised by an independent valuer using the market approach valuation techniques known as guideline transactions method and guideline publicly-traded comparable method. The guideline transaction method utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value whereas the guideline publicly-traded method utilizes information on publicly-traded comparables that are similar to the subject asset to arrive at an indication of value.

The valuation of each Project Company is set out below:

<b>Project Company</b>	<b>Valuation (RMB'000)</b>
The First Project Company	12,225
The Second Project Company	48,295
The Third Project Company	55,207
The Fourth Project Company	39,944
The Fifth Project Company	246,266
The Sixth Project Company	347,260
	<hr/>
	749,197
	<hr/> <hr/>

In determining the discount to be applied to the unaudited net asset value of the Project Companies for the determination of the consideration for the Disposals, the Directors took into 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 net debt ratio of the Project Companies was approximately 1.45 as at 30 April 2023, which is higher than the net debt ratio of the Group of approximately 0.52 as at 31 December 2022;
- (iii) the Group is expected to save an annual finance costs of approximately RMB94,000,000 upon completion of the Disposals;
- (iv) the consideration is still higher than the valuation amount of the Project Companies (i.e. approximately RMB749,197,000) as appraised by an independent valuer; and
- (v) the Group will continue to provide operation and maintenance services to the Project Companies, which is expected to generate an annual service fee income of approximately RMB8,580,000 to the Group until at least 31 December 2025.

## **COMPLETION OF THE DISPOSALS**

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 PRC authority 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 an indirect wholly-owned subsidiary of the Company.

The audited financial results of the First Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	For the year ended 31 December	
	2021	2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit (loss) before tax	5,069	(616)
Net profit (loss) after tax	4,689	(610)

The unaudited net asset value of the First Project Company as at 30 April 2023 was approximately RMB16,186,000.

### (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 an indirect wholly-owned subsidiary of the Company.

The audited financial results of the Second Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	For the year ended 31 December	
	2021	2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	4,800	5,618
Net profit after tax	4,200	5,080

The unaudited net asset value of the Second Project Company as at 30 April 2023 was approximately RMB63,942,000.

### (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. As at the date of this announcement, the Third Project Company is an indirect wholly-owned subsidiary of the Company.

The audited financial results of the Third Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	For the year ended 31 December	
	2021	2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before tax	(692)	(21)
Net loss after tax	(692)	(195)

The unaudited net asset value of the Third Project Company as at 30 April 2023 was approximately RMB73,094,000.

### (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 an indirect wholly-owned subsidiary of the Company.

The audited financial results of the Fourth Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	For the year ended 31 December	
	2021	2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	3,575	5,243
Net profit after tax	3,130	3,932

The unaudited net asset value of the Fourth Project Company as at 30 April 2023 was approximately RMB52,885,000.

### (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 an indirect wholly-owned subsidiary of the Company.

The audited financial results of the Fifth Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit (loss) before tax	9,382	(742)
Net profit (loss) after tax	8,678	(739)

The unaudited net asset value of the Fifth Project Company as at 30 April 2023 was approximately RMB275,370,000.

#### **(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 an indirect wholly-owned subsidiary of the Company.

The audited financial results of the Sixth Project Company (prepared under the PRC GAAP) for the two years ended 31 December 2022 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	19,533	15,978
Net profit after tax	18,030	14,641

The unaudited net asset value of the Sixth Project Company as at 30 April 2023 was approximately RMB388,299,000.

## **INFORMATION ON THE PARTIES**

### **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 and asset management.



## **Tianhao New Energy**

Tianhao New Energy 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 Tianhao New Energy.

## **Kong Sun Yongtai**

Kong Sun Yongtai is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. As at the date of this announcement, each of the Second Project Company and the Third Project Company is a direct wholly-owned subsidiary of Kong Sun Yongtai.

## **Changshu Honglue**

Changshu Honglue is an indirect wholly-owned subsidiary of the Company and is principally engaged in solar power generation. As at the date of this announcement, each of the Fourth Project Company, the Fifth Project Company and the Sixth Project Company is a direct wholly-owned subsidiary of Changshu Honglue.

## **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 directly owned as to 66.75% and 33.25% by Xinhua Hydropower Company Limited (“Xinhua Hydropower”) and CCB Financial Asset Investment Co., Ltd. (“CCB Financial”), respectively. Xinhua Hydropower is owned as to 55% and 45% by China National Nuclear Corporation (“China Nuclear”) and Xinhua Water Resources Holding Group Corporation Ltd. (“Xinhua Water Resources”), respectively. China Nuclear is wholly-owned by 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). Xinhua Water Resources is wholly-owned by the Bureau of Comprehensive Development Ministry of Water Resources of the PRC. CCB Financial is a wholly-owned subsidiary of China Construction Bank Corporation, the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange (A share stock code: 601939, H share stock code: 000939).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners 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 seven completed solar power plants with a total installed capacity of 170 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 of 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 Group will continue the strategies on the operation of solar power plants, optimise asset allocation efficiency and step up to improve the efficiency of the equipment at the power stations, continue to develop its green finance and inclusive finance business, meanwhile accelerate its transformation into new businesses in other energy and health sectors, increase the proportion of asset-light and high-tech businesses, so as to maximise the return of the assets and value for the Shareholders.

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

As regards the Guarantees and the Debts, the continuation of the Guarantees and the Debts was agreed after an arm's length negotiation between the parties to the relevant Disposal Agreements and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the relevant Disposal Agreements. In view of the financial stress that the Group is encountering, the Directors consider that the Disposals with the continuation of the Guarantees and the Debts are still the best available options under the circumstances for the Group to cut losses and streamline its operation at an appropriate timing after identifying the Purchaser. The Guarantees would also facilitate the obtaining of the relevant lenders' consent to the Disposals. In the worst case scenario where the Purchaser fails to procure the release of any of the Guarantees or repay the Debts within the agreed period, the relevant Vendor will still have recourse to the remedies as set out in the section headed "The Disposals" above. On the above basis, the Directors are of the view that the continuation of the Guarantees and the Debts for a short period of time after the completion of the Disposals is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

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. Upon completion of the Disposals, the Project Companies will cease to be subsidiaries of the Company and the results of the Project Companies will cease to be consolidated in the results of the Group.

Subject to final audit, it is expected that the Group will realise a net loss on the Disposals of not more than approximately RMB114,000,000, which is calculated by reference to the difference between (i) the total consideration for the Disposals of approximately RMB758,028,000, and (ii) the total net asset value of the Project Companies and goodwill of approximately RMB869,776,000 and RMB547,000, respectively as at 30 April 2023 and the related transaction costs, taxes and expenses of the Disposals of approximately RMB1,500,000. Despite the net loss on the Disposals, having taking into consideration 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, being the aggregate of the total consideration of approximately RMB758,028,000 and the total Debts receivable from the relevant Project Companies of approximately RMB741,502,000, minus the taxation and transaction costs of approximately RMB1,500,000, are estimated to be approximately RMB1,498,000,000. The Group intends to apply the net proceeds from the Disposals to repay its existing indebtedness.

## LISTING RULES IMPLICATIONS

### The Disposals

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, exceeds 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.

### The Continuation of the Guarantees and the Debts

As the highest percentage ratio in respect of the Guarantees and the Debts exceeds 25%, the continuation of the Guarantees and the Debts provided by the Group to the relevant Project Companies after completion of the relevant Disposals is subject to the reporting, announcement and Shareholders' approval 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, the continuation of the Guarantees and the Debts, and the transactions contemplated under them. Insofar as the Company is aware, none of the Shareholders has any material interest in the Disposals, the Guarantees or the Debts. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposal Agreements, the continuation of the Guarantees and the Debts, and the transactions contemplated under them at the EGM.

A circular containing, among other things, further details of the Disposals, the Guarantees and the Debts, 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 30 September 2023 as additional time is required to prepare the information to be included in the circular.

**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:

“Board”	the 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 company established in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange (stock code: 1606)
“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 and an indirect wholly-owned subsidiary of the Company
“CITIC Financial Leasing”	中信金融租賃有限公司(CITIC Financial Leasing 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
“Debts”	the First Debts, the Second Debts, the Third Debts, the Fourth Debts and the Fifth Debts
“Deliverable Items”	deliverable items including but not limited to the company seal, licenses, financial information, contract information, various equipment and facilities of the relevant Project Company
“Director(s)”	director(s) of the Company
“Disposal Agreements”	the First Agreement, the Second Agreement, the Third Agreement, the Fourth Agreement, the Fifth Agreement and the Sixth Agreement (each, a “Disposal Agreement”)
“Disposals”	the First Disposal, the Second Disposal, the Third Disposal, the Fourth Disposal, the Fifth Disposal and the Sixth Disposal

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, 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 instalment of the consideration pursuant to the terms of such Disposal Agreement
“Fifth Agreement”	the equity transfer agreement dated 11 August 2023 entered into by and among the Purchaser, Changshu Honglue and the Fifth Project Company in relation to the Fifth Disposal
“Fifth Completion Date”	the date of issuing the new business license of the Fifth Project Company in respect of the transfer of the Fifth Sale Equity Interest
“Fifth Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by the Fifth Project Company to Changshu Honglue
“Fifth Disposal”	the disposal of the Fifth Sale Equity Interest
“Fifth Guarantee”	the guarantee provided by Kong Sun Yongtai to secure the existing borrowings of the Fifth Project Company
“Fifth Project”	a 30 MW solar power plant owned by the Fifth Project Company in Shaanxi Province, the PRC
“Fifth Project Company”	定邊縣晶陽電力有限公司(Dingbian Jingyang Electric Co., Ltd.*), 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 in the Fifth Project Company
“First Agreement”	the equity transfer agreement dated 11 August 2023 entered into by and among the Purchaser, Tianhao New Energy 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
“First Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by the First Project Company to Tianhao New Energy

“First Disposal”	the disposal of the First Sale Equity Interest
“First Project”	a 30 MW solar power plant owned by the First Project Company in Shaanxi Province, the PRC
“First Project Company”	定邊縣萬和順新能源發電有限公司(Dingbian Wanheshun New Energy Power Generation 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 in the First Project Company
“Fourth Agreement”	the equity transfer agreement dated 11 August 2023 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
“Fourth Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by the Fourth Project Company to Changshu Honglue
“Fourth Disposal”	the disposal of the Fourth Sale Equity Interest
“Fourth Guarantee”	the guarantee provided by Kong Sun Yongtai to secure the existing borrowings of the Fourth Project Company
“Fourth Project”	a 19.8 MW “tea-photovoltaic complementary” solar power project owned by the Fourth Project Company in Zhejiang Province, the PRC
“Fourth Project Company”	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 a subsidiary of the Company as at the date of this announcement
“Fourth Sale Equity Interest”	the entire equity interests in the Fourth Project Company
“Group”	the Company and its subsidiaries
“Guarantees”	the Second Guarantee, the Third Guarantee, the Fourth Guarantee, the Fifth Guarantee and the Sixth Guarantee

“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
“High Consumption Restriction”	限制高消費令, an indirect enforcement measure imposed by the people’s courts of the PRC to limit high consumption of executees
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huadian Financial Leasing”	華電融資租賃有限公司(Huadian Financial Leasing Co., Ltd.*), a company established in the PRC with limited liability
“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 and an indirect wholly-owned subsidiary of the Company
“kwh”	kilowatt-hour
“List of Dishonest Enforcees”	失信被執行人名單, a list of persons who have been determined by the people’s courts at all levels of the PRC to have the ability to perform but fail to perform the obligations according to an effective legal document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2023
“MW”	mega watts
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Project Companies”	the First Project Company, the Second Project Company, the Third Project Company, the Fourth Project Company, the Fifth Project Company and the Sixth 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”	31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the equity transfer agreement dated 11 August 2023 entered into by and among the Purchaser, Kong Sun Yongtai 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
“Second Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by the Second Project Company to Kong Sun Yongtai
“Second Disposal”	the disposal of the Second Sale Equity Interest
“Second Guarantee”	the guarantee provided by Kong Sun Yongtai to secure the existing borrowings of the Second Project Company
“Second Project”	a 30 MW grid-connected solar power plant owned by the Second Project Company in Huangshi City, the PRC
“Second Project Company”	黃石黃源光伏電力開發有限公司(Huangshi Huangyuan Photovoltaic Power Development 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 in the Second Project Company
“Share(s)”	ordinary shares of the Company
“Shareholders”	holders of the Shares
“Sixth Agreement”	the equity transfer agreement dated 11 August 2023 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
“Sixth Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by Changshu Honglue to the Sixth Project Company

“Sixth Disposal”	the disposal of the Sixth Sale Equity Interest
“Sixth Guarantee”	the guarantee provided by Kong Sun Yongtai to secure the existing borrowings of the Sixth Project Company
“Sixth Project”	a 50 MW solar power plant owned by the Sixth Project Company in Shaanxi Province, the PRC
“Sixth Project Company”	定邊縣智信達新能源有限公司(Dingbian County Zhixinda New Energy Limited*), a company established in the PRC with limited liability and a subsidiary of the Company as at the date of this announcement
“Sixth Sale Equity Interest”	the entire equity interests in the Sixth Project Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidies Receivable”	the state renewable energy subsidies receivable by the relevant Project Company from the State Grid Corporation of China as at the Reference Date
“Third Agreement”	the equity transfer agreement dated 11 August 2023 entered into by and among the Purchaser, 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
“Third Debts”	the net outstanding loans, advances, interests (if any) and other sums owed by the Third Project Company to Kong Sun Yongtai
“Third Disposal”	the disposal of the Third Sale Equity Interest
“Third Guarantee”	the guarantee provided by Kong Sun Yongtai to secure the existing borrowings of the Third Project Company
“Third Project”	a 30 MW solar power plant owned by the Third Project Company in Shaanxi Province, the PRC

“Third Project Company”	榆林正信電力有限公司(Yulin Zhengxin Electricity Limited*), 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 in the Third Project Company
“Tianan Life Insurance”	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
“Tianhao New Energy”	常州市金壇區天昊新能源有限公司(Changzhou City Jintan Tianhao New Energy Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“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
“Vendors”	Tianhao New Energy, Kong Sun Yongtai and Changshu Honglue, and each a “Vendor”
“%”	per cent.

\* *For identification purposes only*

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

Hong Kong, 11 August 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.*