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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)**

**MAJOR TRANSACTION  
FINANCE LEASE ARRANGEMENTS**

**THE FINANCE LEASE AGREEMENT I**

On 27 September 2023, Lingbi Yongji, as lessee, and CIMC Capital, as lessor, entered into the Finance Lease Agreement I, pursuant to which CIMC Capital agreed to purchase the Leased Assets I from Lingbi Yongji for a total consideration of RMB67,000,000. The Leased Assets I would then be leased to Lingbi Yongji for a term of 13 years. The legal ownership of the Leased Assets I under the Finance Lease Agreement I will be vested in CIMC Capital throughout the Lease Period. At the end of the Lease Period and subject to payments by Lingbi Yongji of (i) all amounts due under the Finance Lease Agreement I; and (ii) a nominal consideration of RMB100 for the Leased Assets I, the legal ownership of the Leased Assets I will be vested in Lingbi Yongji.

**THE FINANCE LEASE AGREEMENT II**

On 27 September 2023, Qiangmao Energy, as lessee, and CIMC Capital, as lessor, entered into the Finance Lease Agreement II, pursuant to which CIMC Capital agreed to purchase the Leased Assets II from Qiangmao Energy for a total consideration of RMB60,000,000. The Leased Assets II would then be leased to Qiangmao Energy for a term of 13 years. The legal ownership of the Leased Assets II under the Finance Lease Agreement II will be vested in CIMC Capital throughout the Lease Period. At the end of the Lease Period and subject to payments by Qiangmao Energy of (i) all amounts due under the Finance Lease Agreement II; and (ii) a nominal consideration of RMB100 for the Leased Assets II, the legal ownership of the Leased Assets II will be vested in Qiangmao Energy.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreements, when aggregated with the Previous Finance Lease Agreement, is more than 25% but all of the applicable percentage ratios are lower than 75%, the entering into of the Finance Lease Agreements constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Finance Lease Arrangements are therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Finance Lease Arrangements. A circular containing, among other things, further details of the Finance Lease Arrangements, 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 31 October 2023 as additional time is required to prepare the information to be included in the circular.

## **THE FINANCE LEASE AGREEMENT I**

On 27 September 2023, Lingbi Yongji, as lessee, and CIMC Capital, as lessor, entered into the Finance Lease Agreement I, pursuant to which CIMC Capital agreed to purchase the Leased Assets I from Lingbi Yongji for a total consideration of RMB67,000,000. The Leased Assets I would then be leased to Lingbi Yongji for a term of 13 years. The legal ownership of the Leased Assets I under the Finance Lease Agreement I will be vested in CIMC Capital throughout the Lease Period. At the end of the Lease Period and subject to payments by Lingbi Yongji of (i) all amounts due under the Finance Lease Agreement I; and (ii) a nominal consideration of RMB100 for the Leased Assets I, the legal ownership of the Leased Assets I will be vested in Lingbi Yongji.

A summary of the principal terms of the Finance Lease Agreement I is set out below:

### **Sale and purchase arrangements and consideration**

Pursuant to the Finance Lease Agreement I, CIMC Capital shall purchase the Leased Assets I from Lingbi Yongji for a total consideration of RMB67,000,000. The consideration shall be payable in cash by CIMC Capital to Lingbi Yongji, which was determined after arm's length negotiations between the parties to the Finance Lease Agreement I with reference to the prevailing market price of the Leased Assets I.

The total consideration shall be payable to Lingbi Yongji in full after the fulfillment of certain conditions precedent as set out in the Finance Lease Agreement I.

## **Conditions precedent**

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

- (a) the relevant Transaction Documents having been executed and the relevant registration procedures having been completed;
- (b) CIMC Capital having obtained supervision of the relevant bank accounts of Lingbi Yongji as agreed;
- (c) Lingbi Yongji having purchased all-risk property insurance for the Leased Assets I with CIMC Capital as beneficiary for an insurance amount of not less than 110% of the outstanding principal lease payment;
- (d) CIMC Capital having received the documentary proof of Lingbi Yongji's ownership of the Leased Assets I; and
- (e) there being no significant change in relation to the national fiscal, tax, financial or finance lease regulatory policies or significant increase in financing cost in the market.

## **Lease back arrangements**

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

## **Lease payments**

Pursuant to the Finance Lease Agreement I, the total estimated aggregate lease payments payable by Lingbi Yongji to CIMC Capital is approximately RMB96,329,000 payable in 52 quarterly instalments, being the principal lease cost of RMB67,000,000 plus the estimated aggregate interest of approximately RMB29,329,000. The estimated interests are calculated at a floating rate determined with reference to the LPR on 20 September 2023 at 4.20% plus 160 basis points (i.e. 5.80%). The lease interest rate shall be adjusted on 1st July of each calendar year during the Lease Period with reference to the corresponding change to the most recent LPR before the adjustment date. Lingbi Yongji intends to finance the total lease payments with the Group's internal resources.

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

## **Ownership of the Leased Assets I**

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

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

## **THE FINANCE LEASE AGREEMENT II**

On 27 September 2023, Qiangmao Energy, as lessee, and CIMC Capital, as lessor, entered into the Finance Lease Agreement II, pursuant to which CIMC Capital agreed to purchase the Leased Assets II from Qiangmao Energy for a total consideration of RMB60,000,000. The Leased Assets II would then be leased to Qiangmao Energy for a term of 13 years. The legal ownership of the Leased Assets II under the Finance Lease Agreement II will be vested in CIMC Capital throughout the Lease Period. At the end of the Lease Period and subject to payments by Qiangmao Energy of (i) all amounts due under the Finance Lease Agreement II; and (ii) a nominal consideration of RMB100 for the Leased Assets II, the legal ownership of the Leased Assets II will be vested in Qiangmao Energy.

A summary of the principal terms of the Finance Lease Agreement II is set out below:

### **Sale and purchase arrangements and consideration**

Pursuant to the Finance Lease Agreement II, CIMC Capital shall purchase the Leased Assets II from Qiangmao Energy for a total consideration of RMB60,000,000. The consideration shall be payable in cash by CIMC Capital to Qiangmao Energy, which was determined after arm's length negotiations between the parties to the Finance Lease Agreement II with reference to the prevailing market price of the Leased Assets II.

The total consideration shall be payable to Qiangmao Energy in full after the fulfillment of certain conditions precedent as set out in the Finance Lease Agreement II.

## **Conditions precedent**

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

- (a) the relevant Transaction Documents having been executed and the relevant registration procedures having been completed;
- (b) CIMC Capital having obtained supervision of the relevant bank account of Qiangmao Energy as agreed;
- (c) CIMC Capital having received the documentary proof of Qiangmao Energy's ownership of the Leased Assets II; 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 in the market.

## **Lease back arrangements**

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

## **Lease payments**

Pursuant to the Finance Lease Agreement II, the total estimated aggregate lease payments payable by Qiangmao Energy to CIMC Capital is approximately RMB86,265,000 payable in 52 quarterly instalments, being the principal lease cost of RMB60,000,000 plus the estimated aggregate interest of approximately RMB26,265,000. The estimated interests are calculated at a floating rate determined with reference to the LPR on 20 September 2023 at 4.20% plus 160 basis points (i.e. 5.80%). The lease interest rate shall be adjusted on 1st July of each calendar year during the Lease Period with reference to the corresponding change to the most recent LPR before the adjustment date. Qiangmao Energy intends to finance the total lease payments with the Group's internal resources.

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

## Ownership of the Leased Assets II

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

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

## REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS

The Finance Lease Arrangements and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations between the relevant parties and will provide the Group with general working capital. The Directors therefore consider that the terms of the Finance Lease Arrangements 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

### Leased Assets I

As at 30 June 2023, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets I was approximately RMB73,188,000. The key financial information (prepared under the PRC GAAP) of the Leased Assets I for the two years ended 31 December 2022 is set out as follows:

	For the year ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
Profit before tax attributable to the Leased Assets I	3,018	2,968
Profit after tax attributable to the Leased Assets I	2,641	2,597

## Leased Assets II

As at 30 June 2023, the unaudited book value (prepared under the PRC GAAP) of the Leased Assets II was approximately RMB62,846,000. The key financial information (prepared under the PRC GAAP) of the Leased Assets II for the two years ended 31 December 2022 is set out as follows:

	For the year ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
Profit before tax attributable to the Leased Assets II	7,094	9,513
Profit after tax attributable to the Leased Assets II	6,030	8,324

## INFORMATION ON THE LESSEES

### Lingbi Yongji

As at 30 June 2023, the unaudited net liabilities (prepared under the PRC GAAP) of Lingbi Yongji was approximately RMB50,862,000. The key financial information (prepared under the PRC GAAP) of Lingbi Yongji for the two years ended 31 December 2022 is set out as follows:

	For the year ended	
	31 December	
	2022	2021
	(Audited)	(Audited)
	(RMB'000)	(RMB'000)
Loss before tax	31,865	3,905
Loss after tax	31,865	3,905

## Qiangmao Energy

As at 30 June 2023, the unaudited net asset value (prepared under the PRC GAAP) of Qiangmao Energy was approximately RMB14,523,000. The key financial information (prepared under the PRC GAAP) of Qiangmao Energy for the two years ended 31 December 2022 is set out as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Profit before tax	<b>1,765</b>	774
Profit after tax	<b>1,499</b>	2,135

## **FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENTS AND USE OF PROCEEDS**

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Arrangements shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss. As the interest rate of the Finance Lease Arrangements is lower than Group's average cost of borrowing, the reduction of finance cost will be beneficial to the Group and the Shareholders as a whole. After deducting the incidental costs attributable to the Finance Lease Arrangements, the Group will receive net disposal proceeds of approximately RMB126,500,000 in aggregate under the Finance Lease Arrangements. It is expected that the net disposal proceeds will be used for general working capital of the Group by 31 December 2024.

## **INFORMATION ON THE COMPANY, KONG SUN YONGTAI AND THE LESSEES**

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.



Lingbi Yongji 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, Lingbi Yongji is wholly-owned by Kong Sun Yongtai.

Qiangmao Energy 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, Qiangmao Energy 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, based on public information, 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 25% and 75% 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 controlling beneficial owners are parties independent of the Company and connected persons of the Company.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreements, when aggregated with the Previous Finance Lease Agreement, is more than 25% but all of the applicable percentage ratios are lower than 75%, the entering into of the Finance Lease Agreements constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Finance Lease Arrangements are therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Finance Lease Arrangements. Insofar as the Company is aware, no Shareholder has any material interest in the Finance Lease Arrangements. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Finance Lease Arrangements at the EGM. A circular containing, among other things, further details of the Finance Lease Arrangements, 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 31 October 2023 as additional time is required to prepare the information to be included in the circular.

## DEFINITIONS

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

“Board”	the 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)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve the Finance Lease Arrangements
“Finance Lease Agreement I”	the finance lease agreement dated 27 September 2023 entered into between Lingbi Yongji, as lessee, and CIMC Capital Leasing, as lessor, in respect of the Leased Assets I

“Finance Lease Agreement II”	the finance lease agreement dated 27 September 2023 entered into between Qiangmao Energy, as lessee, and CIMC Capital Leasing, as lessor, in respect of the Leased Assets II
“Finance Lease Agreements”	collectively, the Finance Lease Agreement I and the Finance Lease Agreement II
“Finance Lease Arrangements”	the transactions contemplated under the Finance Lease Agreements I and II, and the Pledges I and II
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 I or the Finance Lease Agreement II
“Leased Assets I”	certain photovoltaic power generating equipment and ancillary facilities regarding the 20MW photovoltaic power plant located in Suzhou City, Anhui Province, the PRC
“Leased Assets II”	certain photovoltaic power generating equipment and ancillary facilities regarding the 10MW photovoltaic power plant located in Ordos City, Inner Mongolia Autonomous Region
“Lingbi Yongji”	靈璧永基新能源科技有限公司 (Lingbi Yongji New Energy Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 I”	collectively, (a) a pledge on all receivables by Lingbi Yongji (in the approximate amount of RMB4,695,000 as at 30 June 2023); (b) a pledge of the entire equity interest in Lingbi Yongji by Kong Sun Yongtai; and (c) a pledge by Lingbi Yongji on equipment and facilities relating to the Leased Assets I in the approximate value of RMB73,188,000, all in favour of CIMC Capital, to secure the obligations of Lingbi Yongji under the Finance Lease Agreement I
“Pledges II”	collectively, (a) a pledge on all receivables by Qiangmao Energy (in the approximate amount of RMB68,949,000 as at 30 June 2023); (b) a pledge of the entire equity interest in Qiangmao Energy by Kong Sun Yongtai; and (c) a pledge by Qiangmao Energy on equipment and facilities relating to the Leased Assets II in the approximate value of RMB62,846,000, all in favour of CIMC Capital, to secure the obligations of Qiangmao Energy under the Finance Lease Agreement II
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Previous Finance Lease Agreement”	the finance lease agreement dated 27 July 2023 entered into between 榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*), as lessee, and CIMC Capital, as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 30MW photovoltaic power plant located in Shaanxi Province, the PRC, the details of which are set out in the Company’s announcement dated 27 July 2023
“Qiangmao Energy”	強茂能源鄂爾多斯市有限責任公司 (Qiangmao Energy Ordos City Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 I, the Finance Lease Agreement II and the relevant agreements relating to the Pledges I and Pledges II

“%” per cent

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

Hong Kong, 27 September 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*