KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 69.45% INTERESTS IN THE TARGET COMPANY

THE ACQUISITION

On 28 December 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Interest, representing 69.45% equity interests in the Target Company for a total consideration of RMB6,000,000 (equivalent to approximately HK$6,566,000).

Upon completion of the Acquisition, the Target Company will become a non wholly-owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Xiang, who indirectly owns approximately 76% interest in the Vendor, holds approximately 5.06% of the total issued Shares, and the Company has been informed by Mr. Xiang that since Mr. Xiang has confidence in the prospect of the Group, he intends to purchase more Shares representing not more than 5% of the total issued Shares within 12 months after completion of the Acquisition through secondary market purchase, subject to compliance with all applicable laws and regulations, which may render Mr. Xiang a substantial shareholder (as defined in the Listing Rules) of the Company holding 10% or more of the Shares in issue. In light of this, the Company takes the view that Mr. Xiang should be deemed as a connected person of the Company under Chapter 14A of the Listing Rules. As a result, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.76(2)(b) of the Listing Rules, as the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

On 28 December 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement in respect of the Acquisition.

The principal terms of the Agreement are summarised as follows:

The Agreement

Subject matter

Pursuant to the Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Interest, representing 69.45% equity interests in the Target Company.

Consideration

The consideration for the Sale Interest is RMB6,000,000 (equivalent to approximately HK$6,566,000), which shall be payable by the Purchaser to the Vendor in cash, upon the issue of the relevant invoice by the Vendor, in the following manner:

(a) an amount of RMB4,800,000, representing 80% of the consideration, shall be paid within ten working days after signing the Agreement; and

(b) the balance of RMB1,200,000, representing 20% of the consideration, shall be paid within ten working days after (i) the Purchaser having been registered as the registered shareholder of the Sale Interest; and (ii) Vendor having delivered all required deliverables in relation to the Target Company to the Purchaser in accordance with the Agreement.

The consideration for the Acquisition was determined upon arm's length negotiations between the parties with reference to (i) the valuation of the entire equity value of the Target Company in the amount of approximately RMB10,698,000 as at 30 November 2023 as appraised by an independent valuer (the "**Valuer**"), (ii) the attributable interest represented by the Sale Interest, and (iii) a discount of approximately 19.2% to the valuation amount of the Sale Interest of approximately RMB7,430,000 (RMB10,698,000 x 69.45%), which was arrived at based on the prospect and the current financial condition of the Target Company.

The Valuer is an independent professional person engaged by the Company and is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC (the "**MOF**") to perform valuation works in the PRC. The responsible appraisers possess the requisite qualifications for conducting valuation for the Target Company.

The valuation was prepared in accordance with the "Asset appraisal basic principles" issued by the MOF, and the relevant appraisal guidances issued by the China Appraisal Society. Based on the principles of independence, impartiality, science and objectivity, the Valuer applied the established valuation procedures and fair methods to conduct on-site investigation and valuation calculations for the assets of the Target Company, and adopted the income approach and the asset-based approach respectively for valuation.

The Valuer concluded that the asset-based approach was a more appropriate valuation methodology for the valuation of the Target Company for the following reasons: The asset-based approach takes into account the re-acquisition of assets and reflects the replacement value of the existing assets of an enterprise, including the value of intangible assets contributed by the relevant patented technology, trademarks and other resources owned by the enterprise to the income of the enterprise. The market value of the net assets of the enterprise is objectively reflected from the perspective of asset acquisition and construction. The income approach takes into account the future profitability of the enterprise, reflecting the comprehensive profitability of various assets of the enterprise. The Target Company is a start-up enterprise. As the Target Company is an emerging AI traditional Chinese medicine application technology innovation service technology enterprise, the Valuer, having fully considered the impact of various factors, took the view that there are certain uncertainties in the realization of the Target Company's future income, and the asset-based approach can more steadily reflect the value of the enterprise under this valuation purpose from a re-construction perspective. Therefore, the asset-based approach valuation results were adopted as the final valuation conclusion.

The key assumptions adopted by the Valuer in relation to the valuation are set out as follows:

1. There are no material changes in the relevant prevailing laws, regulations and policies of the PRC and the macroeconomic situation of the PRC, and there are no material changes in the political, economic and social environment of the regions where the parties to the transaction are located.

2. The appraised entity will continue to operate in light of the actual conditions of the assets as at the valuation benchmark date.

3. The operators of the appraised entity are responsible and the management of the enterprise is capable of performing their duties.

4. The appraised entity fully complies with all relevant laws and regulations.

5. The accounting policies to be adopted by the appraised entity in the future are basically consistent with the accounting policies adopted in the preparation of this report in material aspects.

6. The appraised entity have obtained High and New Technology Enterprise Certificate and will continue to enjoy the preferential tax policies for high and new technology enterprises in the coming years.

7. The business scope and mode of the appraised entity are consistent with the current direction on the basis of the existing management mode and management level.

8. The operating cash flows of the appraised entity flow in and out evenly according to its operating characteristics.

9. There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies.

10. There are no other force majeure factors and unforeseeable factors that may have a material adverse impact on the appraised entity.

To the Directors' best information and knowledge, having discussed with the Valuer, the above key assumptions are consistent with market practice, and are fair and appropriate.

Taking into account (i) the qualifications and experience of the Valuer; (ii) the reasons for adopting the asset-based approach in the valuation of the Target Company; and (iii) the assumptions adopted by the Valuer in conducting the valuation, the Company considers that the valuation of the Target Company conducted by the Valuer is fair and reasonable.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Group intends to satisfy the consideration for the Acquisition by internal resources of the Group.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions by the Vendor within 15 days after the date of the Agreement:

(1) the taking effect of the Agreement, which is conditional upon (a) the parties having obtained their respective internal approvals in respect of the Acquisition; and (b) the Vendor having procured other shareholders of the Target Company to issue their consent to waive their rights of refusal in respect of the Sale Interest;

(2) the completion of registration with the relevant local administration for industry and commerce in the PRC in respect of the Loan Equitisation in accordance with the Agreement; and

(3) the release of the existing charge over the Sale Interest.

As at the date of this announcement, all of the above conditions have been satisfied.

Completion

Completion of the Acquisition shall take place on the date on which the transfer of the Sale Interest is registered with the relevant local administration for industry and commerce in the PRC and a new business license is issued to the Target Company, which should be completed within five (5) working days after the conditions precedent set out above have been satisfied.

Upon completion of the Acquisition, the Target Company will become a non wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

Governance structure

After completion of the Acquisition, the board of directors of the Target Company shall comprise three members, two of which shall be nominated by the Purchaser and one of which shall be nominated by Shanghai Qianrongzhen. The chairman of the board of directors of the Target Company shall be a director nominated by the Purchaser. The Target Company shall have one supervisor appointed jointly by Hunan Xijianda and Hunan Jianda Yuede.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability in May 2020. The Vendor's initial capital contribution to the Target Company was RMB9,900,000. The Target Company is a national high-tech enterprise focusing on digital Chinese medicine full life cycle health management services and the construction and operation of a comprehensive health ecosystem. The principal businesses of the Target Group are the research and development of medical infrared thermal imaging technology, the research and development of innovative technologies and platforms for traditional Chinese medicine brain and synthesis of diverse diagnostic methods, AI algorithm application, construction of smart and digitalised traditional Chinese medicine service systems, production and sales of smart health management equipment and products, as well as design of smart health service plans. The Target Group has obtained several patented technologies, software copyrights and franchise qualifications in the field of medical and health care, while some technologies are still under development and testing, and some projects have started commercial operation.

Prior to completion of the Acquisition, loans owing by the Target Company to some of its shareholders (including the Vendor) in the total amount of approximately RMB254,836,000 will be equitised into equity interest of the Target Company (the "**Loan Equitisation**"). The shareholding structure of the Target Company as at the date of this announcement and immediately after the Loan Equitisation is set out below:

	As at the date of this announcement	**Immediately after the Loan Equitisation**
The Vendor	69.8%	69.45%
Shanghai Qianrongzhen	0.2%	22.09%
Hunan Xijianda	15%	4.23%
Hunan Jianda Yuede	15%	4.23%
Total	**100%**	**100%**

Based on the information provided by the Vendor, as at the date of this announcement:

(1) Shanghai Qianrongzhen is owned as to 80% by Mr. Liu Qingbo and as to 20% by Ms. Du Yu;

(2) Hunan Xijianda is owned as to 99% by the Vendor (the limited partner of Hunan Xijianda) and as to 1% by 深圳市前海燊泰新能源投資管理有限公司(Shenzhen Qianhai Shen Tai New Energy Investment Management Co., Ltd.) ("**Qianhai Shen Tai**", the executive partner of Hunan Xijianda). Qianhai Shen Tai is owned as to 80% by 深圳市一對一投資發展有限公司 (Shenzhen One-to-One Investment Development Co., Ltd.) ("**One-to-One**") and as to 20% by Shanghai Qianrongzhen. One-to-One is owned by Mr. Jia Haifeng, Ms. Jia Haihong and Mr. Li Dengjian as to 90%, 5% and 5%, respectively; and

(3) Hunan Jianda Yuede is owned as to 1% by Qianhai Shen Tai (the executive partner of Hunan Jianda Yuede) and as to 99% by Beijing Modas (the limited partner of Hunan Jianda Yuede), which is in turn held by Mr. Xiang, Ms. Chen Jvying (Mr. Xiang's mother) and Changsha Dezhan as to 76%, 19% and 5% respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Shanghai Qianrongzhen, Qianhai Shen Tai and their respective ultimate beneficial owners is independent of the Company and its connected persons.

The unaudited financial results of the Target Group (prepared under the HKFRS) for the two years ended 31 December 2022 are as follows:

	For the year ended 31 December	
	2021	**2022**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net loss before tax	71,768	140,148
Net loss after tax	71,768	140,148

The unaudited net asset value of the Target Company as at 30 November 2023 was approximately RMB2,067,000.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Group 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.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment and management.

The Vendor is a company established in the PRC with limited liability and is principally engaged in investment consultation and project investment. As at the date of this announcement, the Vendor is wholly owned by Beijing Modas, which is in turn held by Mr. Xiang, Ms. Chen Jvying (Mr. Xiang's mother) and Changsha Dezhan as to 76%, 19% and 5% respectively. Changsha Dezhan has 47 partners, including Beijing Modas and Mr. Xiang, who hold 27.16% and 8.34% interest in the partnership respectively. Mr. Xiang is also the executive partner of Changsha Dezhan. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the partners of Changsha Dezhan (other than Beijing Modas, Ms. Chen Jvying and Mr. Xiang) is independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Company's 2023 interim report, the Company would continue to develop its existing business, meanwhile accelerating the transformation into new businesses in other energy and health sectors, increasing the proportion of asset-light and high-tech businesses, so as to maximise the return of the assets and value for its shareholders. In 2023, the Company established a new company, namely 北京江山永康智慧醫療科技有限公司 (Beijing Jiangshan Yongkang Smart Medical Technology Co., Ltd.*), which is principally engaged in medical research and experimental development; health consulting services (excluding diagnosis and treatment services); software development and sales; production and sales of medical devices; data processing services; drug wholesale; food sales; and Internet information services, with the support of a team of healthcare industry professionals. As such, the management of the Group have gradually accumulated experience in the medical and health-related business.

The Directors believe that the Acquisition will significantly strengthen the Group's diversified development in the medical and health field. It is expected that the Target Company will bring additional operating income to the Group, thereby improving the Group's long-term operation and generating value for the shareholders.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that while the Agreement was not entered into in the ordinary and usual course of business of the Group, the Acquisition and the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Xiang, who indirectly owns approximately 76% interest in the Vendor, holds approximately 5.06% of the total issued shares of the Company, and the Company has been informed by Mr. Xiang that since Mr. Xiang has confidence in the prospect of the Group, he intends to purchase more Shares representing not more than 5% of the total issued Shares within 12 months after completion of the Acquisition through secondary market purchase, subject to compliance with all applicable laws and regulations, which may render Mr. Xiang a substantial shareholder (as defined in the Listing Rules) of the Company holding 10% or more of the Shares in issue. In light of this, the Company takes the view that Mr. Xiang should be deemed as a connected person of the Company under Chapter 14A of the Listing Rules. As a result, the entering into of the Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.76(2)(b) of the Listing Rules, as the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had a material interest in the Acquisition and no Director was required under the Listing Rules to abstain from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Interest pursuant to the Agreement
"Agreement"	the equity transfer agreement dated 28 December 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition
"AI"	artificial intelligence
"Beijing Modas"	Beijing Modas Investment Co., Ltd., a company incorporated in the PRC with limited liability
"Board"	the board of Directors
"Changsha Dezhan"	Changsha Dezhan Investment Management Partnership (Limited Partnership), a limited partnership incorporated in the PRC

"Company"	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 295)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standard
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Jianda Yuede"	湖南健達悅德產業投資合夥企業(有限合夥) (Hunan Jianda Yuede Industrial Investment Partnership (Limited Partnership)*)
"Hunan Xijianda"	湖南喜健達產業投資合夥企業(有限合夥) (Hunan Xijianda Industrial Investment Partnership (Limited Partnership)*)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Equitisation"	has the meaning ascribed to it under the section headed "Information on the Target Group" in this announcement
"Mr. Xiang"	Xiang Jun (向軍)
"PRC"	the People's Republic of China
"Purchaser"	揚州啓星新能源發展有限公司 (Yangzhou Qixing New Energy Development Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	69.45% equity interests in the Target Company
"Shanghai Qianrongzhen"	上海仟榮臻投資諮詢有限公司(Shanghai Qianrongzhen Investment Consulting Co., Ltd.*), a company established in the PRC with limited liability

"Share(s)"	ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	北京鷹之眼智能健康科技有限公司 (Beijing Eagle Eye Intelligent Health Technology Co., Ltd.*), a company established in the PRC with limited liability
"Target Group"	The Target Company and its subsidiaries
"Vendor"	江山金投控股有限公司 (Jiangshan Financial Investment Holdings Co., Ltd.*), a company established in the PRC with limited liability
"%"	per cent.

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

Hong Kong, 28 December 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*