江山控股
KongSun Holdings

KONG SUN HOLDINGS LIMITED
江山控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

MAJOR TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF 60% INTERESTS IN THE TARGET COMPANY

THE PROPOSED DISPOSAL

On 29 January 2024, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Interest, representing 60% equity interests in the Target Company for a total consideration of RMB4,200,000.

Upon completion of the Proposed Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated in the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal is above 25% but less than 75%, the Proposed Disposal constitutes a major transaction for the Company 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 Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the Proposed Disposal, 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 29 February 2024 as additional time is required to prepare the information to be included in the circular.

Completion of the Proposed Disposal is conditional upon the Shareholders' approval having been obtained. Accordingly, the Proposed Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

THE PROPOSED DISPOSAL

On 29 January 2024, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement in respect of the Proposed Disposal.

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 60% equity interests in the Target Company.

Consideration

The consideration for the Sale Interest is RMB4,200,000, which shall be payable by the Purchaser to the Vendor in cash in the following manner:

(a) RMB1,260,000, representing 30% of the consideration, shall be paid within ten (10) working days after the taking effect of the Agreement, which is conditional upon the parties having obtained their respective internal approvals in respect of the Proposed Disposal under the applicable laws and their respective constitutional documents; and

(b) the balance of RMB2,940,000, representing 70% of the consideration, shall be paid within ten (10) working days after the transfer of the Sale Interest having been registered with the relevant local administration for industry and commerce in the PRC and a new business license having been issued to the Target Company, and the Purchaser having become the registered shareholder of the Sale Interest.

The consideration for the Proposed Disposal 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 RMB6,390,000 as at 31 December 2023 as appraised by an independent valuer (the "**Valuer**"), (ii) the attributable interest represented by the Sale Interest, and (iii) a premium of approximately 9.5% to the valuation amount of the Sale Interest of approximately RMB3,834,000 (RMB6,390,000 x 60%), which was arrived at after taking into account the prospect and the current financial condition of the Target Company.

The Valuer is a company incorporated in Hong Kong in 2013, specializing in valuation, internal control review, risk management and environmental, social, and corporate governance reporting services for listed and private companies. The signatory of the valuation report is a Chartered Financial Analyst charterholder, member of Certified Practising Accountant Australia, professional member of Royal Institution of Chartered Surveyors, member of the Australasian Institute of Mining & Metallurgy and Registered Business Valuer, with 15 years' experience in business valuation. The Valuer possesses the requisite qualifications for conducting valuation for the Target Company.

The valuation was prepared in accordance with the International Valuation Standards 2022 issued by International Valuation Standards Council. In this valuation exercise, the value of the subject business interest was developed through the application of the market approach technique known as guideline publicly-traded comparable method. 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 guideline publicly-traded method requires the proper selection of valuation metrics/comparable evidence and calculation of the selected valuation metrics of comparable companies to derive the value of the subject business interest.

Under the guideline publicly-traded method, the valuation metrics adopted is price-to-book ratio ("**PB Ratio**"). Only PB Ratio was adopted under guideline publicly-traded method because the Target Group did not have profit in 2023 and price-to-earnings ratio, which is another common valuation metrics, is not applicable.

With a view to selecting appropriate comparable listed companies, the Valuer focused on those companies listed in Hong Kong which are principally engaged in ancillary services for the solar power industry. Since there are no/limited Hong Kong listed companies with over 50% of their revenues for the latest financial year generated from the provision of solar power plant operation and maintenance services, comparable Hong Kong listed companies which are principally engaged in ancillary services for the solar power industry are used instead.

Selection criteria of comparable companies are listed as follows:

1. companies listed in Hong Kong; and

2. companies with over 50% of their revenues for the latest financial year generated from ancillary services for the solar power industry.

Based on the above selection criteria, searching and review procedures, the Valuer selected five comparable companies, namely IRICO Group New Energy Company Limited (438:HK), Solargiga Energy Holdings Limited (757:HK), Xinyi Solar Holdings Limited (968:HK), Xinte Energy Co., Ltd. (1799:HK) and GCL Technology Holdings Limited (3800:HK). The average PB Ratio of these five comparable companies was calculated to be 0.81.

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

- there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the operation of the Target Company;

- there will be no major changes in the current taxation laws in the PRC;

- there will be no material fluctuation of the finance costs and availability of finance in the PRC;

- the Target Company will comply with all legal and regulatory requirements for the principal operation;

- the development of the subject business interest will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;

- there will not be any adverse events beyond the control of the management of the Target Company, including natural disasters, catastrophes, fire, explosion, flooding, riots, acts of terrorism, epidemics and pandemics that may adversely affect the operation of the subject business interest;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market rates; and
- the Target Company will retain competent management, key personnel and technical staff for its operation and the relevant shareholders will support its ongoing operation.

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 market 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 are of the view that the consideration for the Proposed Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Condition precedent

Completion of the Proposed Disposal is subject to the Shareholders having approved the Agreement and the transactions contemplated thereunder at the EGM.

Completion

Completion of the Proposed Disposal 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 ten (10) working days after payment of the first instalment of the consideration.

Upon completion of the Proposed Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated in the financial statements of the Group.

Governance structure

After completion of the Proposed Disposal, 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 the Vendor. The Target Company shall have one supervisor appointed by the Purchaser. The senior management personnel of the Target Company shall be appointed by the Purchaser.

INFORMATION ON THE TARGET GROUP

The Target Company is principally engaged in the provision of solar power plant operation and maintenance services.

As at the date of this announcement, the Target Company was wholly owned by the Company through the Vendor.

The unaudited financial results of the Target Group (prepared under the PRC GAAP) for the two years ended 31 December 2023 are as follows:

	For the year ended 31 December	
	2022	**2023**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net profit/(loss) before tax	1,036	(15,741)
Net profit/(loss) after tax	1,294	(15,774)

The unaudited net asset value of the Target Company as at 31 December 2023 was approximately RMB11,511,000.

INFORMATION ON THE PARTIES TO THE AGREEMENT

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

The Purchaser is a limited partnership established in accordance with the PRC laws. The Purchaser is principally engaged in businesses including technology development, consultancy and services. The general partner of the Purchaser is Mr. Zhu Yubin who holds 35% interest in the Purchaser. There are 17 limited partners, among which Mr. Deng Chengli, Mr. Wang Wensheng, Mr. Ling Yun, Mr. Guo Henghua and Mr. Gao Lipeng hold 16.67%, 11.91%, 7.14%, 2.38% and 2.38% interest in the Purchaser respectively, and the remaining 12 limited partners hold an aggregate of 24.52% interest. As at the date of this announcement, (i) Mr. Deng Chengli is a director of the Target Company and one of its subsidiaries, and a director of certain subsidiaries of the Company; (ii) Mr. Wang Wensheng is a director of the Target Company and one of its subsidiaries; (iii) Mr. Guo Henghua is a director of two subsidiaries of the Target Company; and (iv) Mr. Gao Lipeng is a director of a subsidiary of the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, each of the Purchaser and its ultimate beneficial owners is independent of the Company and connected persons of the Company.

REASONS AND BENEFITS FOR THE PROPOSED DISPOSAL

As at the date of this announcement, 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, and construction of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

The Directors consider that it is a good opportunity for the Group to dispose of the Target Company so as to better allocate the Group's resources to other business segments of the Group, and enhance the Group's financial position by reducing the loss of the Group.

In light of the above, the Directors are of the view that the Proposed Disposal and the terms of the Agreement 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 PROPOSED DISPOSAL AND INTENDED USE OF PROCEEDS

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon completion of the Proposed Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated in the financial statements of the Group.

Subject to final audit, it is expected that the Group will realise a loss on the Proposed Disposal of approximately RMB5,500,000, which is calculated by reference to (i) the consideration for the Proposed Disposal (i.e. RMB4,200,000), plus the amount to be recorded as interest in an associate for the remaining 40% equity interest of the Target Company (i.e. RMB2,800,000), minus the unaudited net asset value of the Target Company as at 31 December 2023 (i.e. RMB11,511,000), which amounts to approximately RMB-4,511,000; and (ii) the related transaction costs, taxes and expenses for the Proposed Disposal of approximately RMB1,000,000. Despite the expected loss on the Proposed Disposal, having taking into consideration the reasons for the Proposed Disposal as stated under the paragraph headed "Reasons and Benefits for the Proposed Disposal" above, the Company is of the view that the Proposed Disposal will be in the interests of the Company and the Shareholders as a whole. The Group intends to apply the net proceeds from the Proposed Disposal, estimated to be approximately RMB3,200,000, for general working capital.

LISTING RULES IMPLICATIONS

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Completion of the Proposed Disposal is conditional upon the Shareholders' approval having been obtained. Accordingly, the Proposed Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

"Agreement"	the equity transfer agreement dated 29 January 2024 entered into between the Purchaser and the Vendor in relation to the Proposed Disposal
"Board"	the board of Directors
"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
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"PRC GAAP"	the generally accepted accounting principles of the PRC
"Proposed Disposal"	the proposed disposal of the Sale Interest pursuant to the Agreement
"Purchaser"	北京億鑫豐泰科技合夥(有限合夥) (Beijing Yixin Fengtai Technology Partnership (Limited Partnership)*)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	60% equity interests in the Target Company

"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	陜西億潤新能源科技有限公司(Shaanxi Yirun New Energy Technology Co., Ltd.*), a company established in the PRC with limited liability
"Target Group"	The Target Company and its subsidiaries
"Vendor"	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
"%"	per cent.

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

Hong Kong, 29 January 2024

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*