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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 TRANSACTIONS
DISPOSALS OF SUBSIDIARIES AND PROVISION OF GUARANTEES**

THE DISPOSALS

On 25 March 2022, Kong Sun Yongtai, the Purchaser and the Project Companies entered into the Disposal Agreements, pursuant to which Kong Sun Yongtai conditionally agreed to sell the First Sale Equity Interest and the Second Sale Equity Interest to the Purchaser for a total consideration of approximately RMB118,675,000.

Upon completion of the First Disposal, the First Project Company will cease to be a subsidiary of the Company and the results of operation of the First Project Company will cease to be consolidated in the Company's financial statements. Upon completion of the Second Disposal, the Second Project Company will cease to be a subsidiary of the Company and the remaining 50% equity interests in the Second Project Company will be accounted as a financial asset measured at fair value through other comprehensive income in the Company's financial statements.

Following completion of the Disposals, the Group will continue to provide the Guarantees in respect of certain existing borrowings of the Project Companies until the Guarantees are released. The Purchaser is required to procure the release of the Guarantees within one hundred and twenty (120) days of completion of the Disposals.

LISTING RULES IMPLICATIONS

The Disposals

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated with the Previous Disposals, exceeds 25% but all of them are lower than 75%, the transactions contemplated under the Disposal Agreements constitute a major transaction 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 Guarantees

As the highest percentage ratio (as defined in the Listing Rules) in respect of the Guarantees, when aggregated with the Previous Guarantees, exceeds 25%, these Guarantees constitute a major transaction 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.

General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal Agreements and the Guarantees. Insofar as the Company is aware, none of the Shareholders has any material interest in the Disposals and the Guarantees. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposal Agreements and the Guarantees at the EGM. A circular containing, among other things, further details of the Disposals and the Guarantees 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 29 April 2022 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 25 March 2022, Kong Sun Yongtai, the Purchaser and the Project Companies entered into the Disposal Agreements, pursuant to which Kong Sun Yongtai conditionally agreed to sell the First Sale Equity Interest and the Second Sale Equity Interest to the Purchaser for a total consideration of approximately RMB118,675,000.

The principal terms of the Disposal Agreements are summarized as follows:

PRINCIPAL TERMS OF THE DISPOSAL AGREEMENTS

(A) The First Agreement

Subject matter

On 25 March 2022, Kong Sun Yongtai, the Purchaser and the First Project Company entered into the First Agreement, pursuant to which Kong Sun Yongtai conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the First Sale Equity Interest.

Consideration

The consideration for the First Disposal is approximately RMB34,400,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB17,200,000, representing approximately 50% of the consideration for the First Disposal, shall be paid into the Escrow Account within three (3) business days before completion of the First Disposal (the “**First Earnest Money**”) and shall be transferred to Kong Sun Yongtai within ten (10) business days after completion of the First Disposal;
- (ii) an amount of approximately RMB9,938,000, representing approximately 28.89% of the consideration for the First Disposal, shall be paid to Kong Sun Yongtai within ten (10) business days after completion of handover of certain deliverables relating to the First Project Company; and
- (iii) within ten (10) business days upon each receipt of the First Project Company of the state renewable energy subsidies before the Reference Date, up to a total amount of approximately RMB7,262,000, representing approximately 21.11% of the consideration for the First Disposal shall be paid to Kong Sun Yongtai.

Repayment of the First Debts

As at the Reference Date, the First Project Company had the outstanding First Debts in the amount of approximately RMB103,062,000, subject to adjustment for any net increase or decrease thereof as determined by the Transition Period Audit report to be issued within ten (10) business days of completion of the First Disposal, which shall be payable by the First Project Company to Kong Sun Yongtai in cash in the following manner:

- (i) an amount of approximately RMB101,061,000, shall be settled by the First Project Company within ten (10) business days after issuance of the Transition Period Audit report and the determination of the actual amount of the outstanding First Debts; and
- (ii) a corresponding amount up to a total amount of up to approximately RMB2,001,000, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of certain rectification works items of the First Project by Kong Sun Yongtai required by the Purchaser. The rectification works shall be completed not later than within one (1) year after completion of the First Disposal. The estimated cost of such rectification works items of the First Project is approximately RMB2,001,000.

Default

If the Purchaser fails to pay the consideration for the First Disposal pursuant to the terms of the First Agreement or the First Project Company fails to repay the First Debts pursuant to the terms of the First Agreement, Kong Sun Yongtai has the right to request the Purchaser and the First Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than sixty (60) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the First Agreement without any liability, and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Conditions Precedent

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

- (a) the Company having obtained the approval from the Board, the Stock Exchange, the Shareholders at the EGM for the execution and performance of the First Agreement;
- (b) the Purchaser having paid the First Earnest Money into the Escrow Account;
- (c) Kong Sun Yongtai having obtained the consent from CITIC Financial Leasing in respect of the First Disposal and the release of the First Share Charge; and
- (d) the Purchaser having completed the filing of valuation report of state-owned assets in relation to the First Disposal.

As at the date of this announcement, none of the above conditions precedent has been satisfied.

Arrangements during the Transition Period

Any profits generated and any losses incurred by the First Project Company in the ordinary course of business during the Transition Period shall be borne by the First Project Company.

During the Transition Period, the First Project Company shall continue to perform its existing contracts. The First Project Company shall not, among other things, enter into loan agreements, mortgages and guarantees etc. not in the ordinary course of its business, and/or incur new expenditures exceeding RMB500,000 per transaction during the Transition Period without the prior consent of the Purchaser.

Termination of the First Guarantee

Pursuant to the First Agreement, by no later than one hundred and twenty (120) days after completion of the First Disposal, the Purchaser shall procure the release of the First Guarantee by CITIC Financial Leasing. In the event that the Purchaser does not procure completion of the release of the First Guarantee within one hundred and twenty (120) days after completion of the First Disposal, Kong Sun Yongtai shall have the

right to seek for damages from the Purchaser and default penalty incurred thereunder calculated at a daily percentage rate of 0.05% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the First Guarantee within one hundred and eighty (180) days after completion of the First Disposal, Kong Sun Yongtai shall have the right to rescind the First Agreement, and request the Purchaser to compensate for all losses and fees incurred by Kong Sun Yongtai, and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

The continuation of the First Guarantee was agreed after an arm's length negotiation between the parties and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the First Agreement. In view of the financial stress that the Group is encountering though the terms and conditions of the First Guarantee may not be ideal, the Directors consider that the First Disposal and the First Guarantee are still the best available option under the circumstances for the Company to cut losses and streamline its operation at an appropriate timing. The First Guarantee would also facilitate CITIC Financial Leasing to provide its consent regarding the First Disposal, which is a condition precedent under the First Agreement. Without the First Guarantee, completion of the First Disposal may be prolonged given it will take time for Kong Sun Yongtai and the Purchaser to explain to the CITIC Financial Leasing for the change in control of the First Project Company and to get the consent from the CITIC Financial Leasing for the purpose of satisfaction of the condition precedent under the First Agreement. In the worst case scenario where the Purchaser fails to procure release of the First Guarantee within one hundred and eighty (180) days after completion of the First Disposal, Kong Sun Yongtai shall have the right to rescind the First Agreement. On the above basis, the continuation of the First Guarantee for a short period of time after completion of the First Disposal is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

(B) The Second Agreement

Subject matter

On 25 March 2022, 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 and the rights of Kong Sun Yongtai as the ultimate beneficial owner of the Second Project Company for a total consideration of approximately RMB84,275,000.

Consideration

The consideration for the Second Disposal is approximately RMB84,275,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) an amount of approximately RMB42,138,000, representing approximately 50% of the consideration for the Second Disposal, shall be paid into the Escrow Account within three (3) business days before completion of the Second Disposal (the “**Second Earnest Money**”) and shall be transferred to Kong Sun Yongtai within ten (10) business days after completion of the Second Disposal;
- (ii) an amount of approximately RMB31,561,000, representing approximately 37.45% of the consideration for the Second Disposal, shall be paid to Kong Sun Yongtai within ten (10) business days after completion of handover of certain deliverables relating to the Second Project Company; and
- (iii) within ten (10) business days upon each receipt of the Second Project Company of the state renewable energy subsidies before the Reference Date, up to a total amount of approximately RMB10,576,000, representing approximately 12.55% of the consideration for the Second Disposal shall be paid to Kong Sun Yongtai.

Repayment of the Second Debts

As at the Reference Date, the Second Project Company had the outstanding Second Debts in the amount of approximately RMB309,153,000. The Second Debts, subject to adjustment for any net increase or decrease thereof during the Transition Period as determined by the Transition Period Audit report to be issued within ten (10) business days of completion of the Second Disposal, which shall be payable by the Second Project Company to Kong Sun Yongtai in cash in the following manner:

- (i) an amount of approximately RMB304,197,000, shall be settled by the Second Project Company within ten (10) business days after issuance of the Transition Period Audit report and the determination of the actual amount of the outstanding Second Debts; and
- (ii) a corresponding amount up to a total amount of up to approximately RMB4,956,000, shall be paid to Kong Sun Yongtai within ten (10) business days upon completion of each of certain rectification works items of the Second Project by Kong Sun Yongtai required by the Purchaser. The rectification works shall be completed not later than within one (1) year after completion of the Second Disposal. The estimated cost of such rectification works items of the Second Project is approximately RMB4,956,000.

Default

If the Purchaser fails to pay the consideration for the Second Disposal pursuant to the terms of the Second Agreement or the Second Project Company fails to repay the Second Debts pursuant to the terms of the Second Agreement, Kong Sun Yongtai has the right to request the Purchaser and the Second Project Company to pay to it a default payment, which is calculated based on the relevant unpaid amounts due and a penalty at 0.05% of the relevant amounts due on a daily basis. If the default continues for more than sixty (60) calendar days from the relevant due date, Kong Sun Yongtai will be entitled to terminate the Second Agreement without any liability, and request the Purchaser to compensate for all losses incurred by Kong Sun Yongtai.

Conditions Precedent

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

- (a) the Company having obtained the approval from the Board, the Stock Exchange and the Shareholders at the EGM for the execution and performance of the Second Agreement;
- (b) the Purchaser having paid the Second Earnest Money into the Escrow Account;
- (c) Kong Sun Yongtai having obtained the consent from Huaxia Financial Leasing in respect of the Second Disposal;
- (d) the Purchaser having completed the filing of valuation report of state-owned assets in relation to the Second Disposal; and
- (e) the Purchaser, Kong Sun Yongtai and Baoxin Industrial having issued the industrial and commercial registration documents in relation to the Second Disposal.

As at the date of this announcement, none of the above conditions precedent has been satisfied.

Arrangements during the Transition Period

Any profits generated and any losses incurred by the Second Project Company in the ordinary course of business during the Transition Period shall be borne by the Second Project Company.

During the Transition Period, the Second Project Company shall continue to perform its existing contracts. The Second Project Company shall not, among other things, enter into loan agreements, mortgages and guarantees etc. not in the ordinary course of its business, and/or incur new expenditures exceeding RMB500,000 per transaction during the Transition Period without the prior consent of the Purchaser.

Termination of the Second Guarantee

Pursuant to the Second Agreement, by no later than one hundred and twenty (120) days after completion of the Second Disposal, the Purchaser shall procure the release of the Second Guarantee by Huaxia Financial Leasing. In the event that the Purchaser does not procure completion of the release of the Second Guarantee within one hundred and twenty (120) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to seek for damages from the Purchaser and default penalty incurred thereunder calculated at a daily percentage rate of 0.05% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the Second Guarantee within one hundred and eighty (180) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to rescind the Second Agreement, and request the Purchaser to compensate for all losses and fees incurred by Kong Sun Yongtai, and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

The continuation of the Second Guarantee was agreed after an arm's length negotiation between the parties and was one of the key commercial terms for the Purchaser to agree to the transactions contemplated under the Second Agreement. In view of the financial stress that the Group is encountering though the terms and conditions of the Second Guarantee may not be ideal, the Directors consider that the Second Disposal and the Second Guarantee are still the best available option under the circumstances for the Company to cut losses and streamline its operation at an appropriate timing. The Second Guarantee would also facilitate Huaxia Financial Leasing to provide its consent regarding the Second Disposal, which is a condition precedent under the Second Agreement. Without the Second Guarantee, completion of the Second Disposal may be prolonged given it will take time for Kong Sun Yongtai and the Purchaser to explain to the Huaxia Financial Leasing for the change in control of the Second Project Company and to get the consent from the Huaxia Financial Leasing for the purpose of satisfaction of the condition precedent under the Second Agreement. In the worst case scenario where the Purchaser fails to procure release of the Second Guarantee within one hundred and eighty (180) days after completion of the Second Disposal, Kong Sun Yongtai shall have the right to rescind the Second Agreement. On the above basis, the continuation of the Second Guarantee for a short period of time after completion of the Second Disposal is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

BASIS OF THE CONSIDERATION FOR THE DISPOSALS

The consideration for the Disposals was determined upon arm's length negotiations between the parties with reference to the valuation of the First Sale Equity Interest and the Second Sale Equity Interest as at 28 February 2022 in the amount of approximately RMB105,320,000 appraised by an independent valuer.

It is the usual practice in the industry and in previous disposals of the Company for having a portion of consideration to be held in an escrow account before the completion of the relevant disposal. With RMB59,338,000, representing approximately 50% of the aggregate

consideration for the Disposals being kept in the Escrow Account jointly controlled by Kong Sun Yongtai and the Purchaser, this arrangement is under normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

COMPLETION OF THE DISPOSALS

As at the date of this announcement, the Project Companies are subsidiaries of the Company.

Completion of each Disposal shall take place on the date on which the transfer of Kong Sun Yongtai's equity interests in the relevant Project Company has been registered with the relevant administration for industry and commerce and a new business license has been issued to such Project Company.

Completion of each of the Disposals is not inter-conditional upon each other.

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 a direct wholly-owned subsidiary of Kong Sun Yongtai.

The unaudited financial results of the First Project Company for the two years immediately preceding the date of this announcement are as follows:

	For the year ended 31 December	
	2020	2021
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Net profit before tax	9,493	5,733
Net profit after tax	8,218	5,094

The unaudited net asset value of the First Project Company as at 28 February 2022 was approximately RMB34,817,000.

(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 a subsidiary of Kong Sun Yongtai, with each of Kong Sun Yongtai and Baoxin Industrial holding 50% equity interests of the Second Project Company respectively. Baoxin Industrial is a nominee shareholder of the Second Project Company holding the equity interests on behalf of Kong Sun Yongtai and Kong Sun Yongtai is the ultimate beneficial owner of the Second Project Company.

The unaudited financial results of the Second Project Company for the two years immediately preceding the date of this announcement are as follows:

	For the year ended 31 December	
	2020	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	5,870	7,890
Net profit after tax	3,877	5,827

The unaudited net asset value of the Second Project Company as at 28 February 2022 was approximately RMB153,775,000.

INFORMATION ON THE PARTIES

Kong Sun Yongtai

Kong Sun Yongtai 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 Project Companies are subsidiaries of Kong Sun Yongtai.

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.

The Purchaser

The Purchaser is a company established in the PRC and is principally engaged in investment, development and operation management of water conservancy, hydropower and water supply projects. As at the date of this announcement, the Purchaser is wholly-owned by Xinhua Hydropower Company Limited (新華水力發電有限公司) (“**Xinhua Hydropower**”). Xinhua Hydropower is owned as to 55% by China National Nuclear Corporation (“**China Nuclear**”) and 45% by Xinhua Water Resources Holding Group Corporation Ltd. (“**Xinhua Water Resources**”). 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 Bureau of Comprehensive Development Ministry of Water Resources.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner 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 14 completed solar power plants with a total installed capacity of 389.8 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 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 Company may consider further disposal(s) when it considers beneficial to the Company and the Shareholders as a whole in future.

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

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

Upon completion of the First Disposal, the First Project Company will cease to be a subsidiary of the Company and the financial results of the First Project Company will cease to be consolidated by the Group. Upon completion of the Second Disposal, the Second Project Company will cease to be a subsidiary of the Company and the remaining 50% equity interests in the Second Project Company will be accounted as a financial asset measured at fair value through other comprehensive income in the Company's financial statements.

Subject to final audit, it is expected that the Group will realise a net gain on the Disposals of not less than approximately RMB5,300,000, which is calculated by reference to the difference between (i) the consideration for the Disposals and net asset value of the First Sale Equity Interest and Second Sale Equity Interest as at 28 February 2022 of approximately RMB111,705,000 and (ii) the related transaction costs, taxes and expenses of the Disposals. Despite the net loss on the Disposals, having taking into consideration of 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 after deducting the taxation and transaction costs are estimated to be approximately RMB529,000,000. The Group intends to apply the net proceeds from the Disposals to repay its existing indebtedness.

LISTING RULES IMPLICATIONS

The Disposals

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated with the Previous Disposals, exceeds 25% but all of them are lower than 75%, the transactions contemplated under the Disposal Agreements constitute a major transaction 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 Guarantees

As the highest percentage ratio in respect of the Guarantees, when aggregated with the Previous Guarantees, exceeds 25%, these Guarantees constitute a major transaction 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.

General

As none of the Director is interested in the Disposal Agreements and the transactions contemplated thereunder, no Directors have abstained from voting on the relevant Board resolutions approving the Disposal Agreements and the transactions contemplated thereunder.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal Agreements and the Guarantees. Insofar as the Company is aware, none of the Shareholders has any material interest in the Disposals and the Guarantees. Hence, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposal Agreements and the Guarantees at the EGM. A circular containing, among other things, further details of the Disposals and the Guarantees, 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 29 April 2022 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:

“Baoxin Industrial”	寶豐縣寶新實業有限公司 (Baofeng Baoxin Industrial Limited*), a company established in the PRC with limited liability
“Board”	the board of Directors
“certain deliverables”	deliverables including but not limited to the company seal, key financial and asset information of the relevant Project Company, and information including contracts, construction, other financials of the power plants of the relevant Project
“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
“Director(s)”	director(s) of the Company
“Disposal Agreements”	the First Agreement and the Second Agreement (each, a “ Disposal Agreement ”)
“Disposals”	the First Disposal and the Second Disposal
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve, among other things, the Disposals
“Escrow Account”	in respect of each Disposal Agreement, the bank account to be established under the joint control of Kong Sun Yongtai and the Purchaser for holding the relevant earnest money pursuant to the terms of such Disposal Agreement
“First Agreement”	the equity transfer agreement dated 25 March 2022 entered into by and among the Purchaser, Kong Sun Yongtai and the First Project Company in relation to the First Disposal

“First Debts”	the outstanding loans, advances, interests (if any) and other sums owed by the First Project Company to Kong Sun Yongtai and its related parties
“First Disposal”	the disposal of the First Sale Equity Interest
“First Guarantee”	the guarantee provided by Kong Sun Yongtai and its related companies for securing the existing indebtedness in the amount of approximately RMB57,821,000 due by the First Project Company to CITIC Financial Leasing
“First Project”	a 20 MW distributed photovoltaic power plant owned by the First Project Company
“First Project Company”	濟源大峪江山光伏發電有限公司 (Jiyuan Dayu Jiangshan 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
“First Sale Equity Interest”	the entire equity interests of the First Project Company
“First Share Charge”	the share charge provided by Kong Sun Yongtai and its related parties for securing the existing indebtedness in the amount of approximately RMB57,821,000 due by the First Project Company to CITIC Financial Leasing
“Group”	the Company and its subsidiaries
“Guarantees”	the First Guarantee and the Second Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaxia Financial Leasing”	華夏金融租賃有限公司 (Huaxia 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 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
“MW”	mega watts
“PRC”	the People’s Republic of China

“Previous Disposals”	the previous disposals of seven project companies from Kong Sun Yongtai and Xinjiang Chengshi to the Purchaser as disclosed in the Company’s announcement dated 2 November 2021
“Previous Guarantees”	the previous guarantees provided by Kong Sun Yongtai, Xinjiang Chengshi and their related companies for securing the existing indebtedness, in any event in the total maximum guarantee amount of approximately RMB242,130,000, as disclosed in the Company’s announcement dated 2 November 2021
“Project Companies”	the First Project Company and the Second Project Company
“Purchaser”	中原新華水利水電投資有限公司 (Zhongyuan Xinhua Water Resources and Hydropower Investment Limited*), a company established in the PRC
“Reference Date”	31 August 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the equity transfer agreement dated 25 March 2022 entered into by and among Kong Sun Yongtai, the Purchaser and the Second Project Company in relation to the Second Disposal
“Second Debts”	the outstanding loans, advances, interests (if any) and other sums used by the Second Project Company to Kong Sun Yongtai and its related parties
“Second Disposal”	the disposal of the Second Sale Equity Interest and the rights of Kong Sun Yongtai as the ultimate beneficial owner of the Second Project Company
“Second Guarantee”	the guarantee provided by Kong Sun Yongtai and its related companies for securing the existing indebtedness in the amount of approximately RMB349,528,000 due by the Second Project Company to Huaxia Financial Leasing
“Second Project”	a 100 MW photovoltaic power project owned by the Second Project Company
“Second Project Company”	寶豐縣鑫泰光伏電力科技開發有限公司 (Baofeng Xintai Photovoltaic Power Technology 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”	50% equity interests of the Second Project Company held by Kong Sun Yongtai

“Share(s)”	ordinary shares of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Xinjiang Chengshi”	新疆誠石易盛商貿有限公司 (Xinjiang Chengshi Yisheng Trading Co., Ltd.), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Kong Sun Holdings Limited
Mr. Jin Yanbing
Executive Director

Hong Kong, 25 March 2022

As of the date of this announcement, the Board comprises two executive Directors, Mr. Jin Yanbing and Mr. Qin Hongfu, one non-executive Director, Mr. Jiang Hengwen, and three independent non-executive Directors, Mr. Lang Wangkai, Ms. Wu Wennan and Mr. Xu Xiang.

* *For identification purposes only*