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TK NEW ENERGY

Tonking New Energy Group Holdings Limited

同景新能源集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8326)

CONNECTED TRANSACTION FREEZE DRYING EQUIPMENT SALES AGREEMENT

FREEZE DRYING EQUIPMENT SALES AGREEMENT

The Board is pleased to announce that on 31 October 2019 (after trading hours), Tonking Jiangshan, an indirectly wholly-owned subsidiary of the Company, and Zhejiang Xingcai entered into the Freeze Drying Equipment Sales Agreement, pursuant to which, Tonking Jiangshan has agreed to sell and Zhejiang Xingcai has agreed to acquire the Freeze Drying Equipment and provide relevant services.

The consideration of RMB2,970,000 (equivalent to approximately HK\$3,296,700) was determined after arm's length negotiations between the parties of the Freeze Drying Equipment Sales Agreement with reference to market prices of the Freeze Drying Equipment and relevant services. The consideration was not less than that offered by other independent third party suppliers.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Zhejiang Xingcai is indirectly owned as to 97% and 3% by Mr. Wu and Mr. Xu respectively. Zhejiang Xingcai is an associate of Mr. Wu. Mr. Wu is an executive Director, the chairman of the Board and the chief executive officer of the Company. Therefore, Zhejiang Xingcai is a connected person of the Company. Under Chapter 20 of the GEM Listing Rules, the transactions under the Freeze Drying Equipment Sales Agreement will constitute a connected transaction of the Company.

As applicable percentage ratios in respect of the Freeze Drying Equipment Sales Agreement are over 0.1% but less than 5%, the Freeze Drying Equipment Sales Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 31 October 2019 (after trading hours), Tonking Jiangshan, an indirectly wholly-owned subsidiary of the Company, and Zhejiang Xingcai entered into the Freeze Drying Equipment Sales Agreement, pursuant to which, Tonking Jiangshan has agreed to sell and Zhejiang Xingcai has agreed to acquire the Freeze Drying Equipment and provide relevant services.

FREEZE DRYING EQUIPMENT SALES AGREEMENT

The principal terms of the Freeze Drying Equipment Sales Agreement are as follows:

Date: 31 October 2019

Parties: (1) Zhejiang Xingcai (as a purchaser)
(2) Tonking Jiangshan (as a vendor)

Subject Matter

Pursuant to the Freeze Drying Equipment Sales Agreement, Zhejiang Xingcai has agreed to acquire and Tonking Jiangshan has agreed to sell the Freeze Drying Equipment and provide relevant services.

Consideration and Payment

The consideration of the Freeze Drying Equipment of RMB2,970,000 (equivalent to approximately HK\$3,296,700) was determined after arm's length negotiations between the parties of the Freeze Drying Equipment Sales Agreement with reference to market prices of the Freeze Drying Equipment and relevant services. The consideration was not less than that offered by other independent third party suppliers.

30% of the total consideration (i.e. RMB891,000) will be settled by Zhejiang Xingcai within 7 working days upon the delivery of the Freeze Drying Equipment; 60% of the total consideration (i.e. RMB1,782,000) will be settled within 15 days upon the qualified installation and commissioning of the Freeze Drying Equipment; the remaining amount, namely 10% of the total consideration (i.e. RMB297,000) will be quality retention money and shall be paid without interest if no issue related to quality arises within the warranty period (i.e. five years from the date of delivery and acceptance of the Freeze Drying Equipment and signing the final acceptance certificate).

Delivery and Related Services

It is agreed by both parties that, under premise of timely payment and complete auxiliary projects such as land construction, the Freeze Drying Equipment shall be delivered within 60 days from the date of the Freeze Drying Equipment Sales Agreement with an installation and adjustment period of 30 days.

Delivery and Acceptance

Tonking Jiangshan shall hand over a full set of equipment with complete system and auxiliary facilities that are in line with the standard as stipulated in the Freeze Drying Equipment Sales Agreement to Zhejiang Xingcai.

Tonking Jiangshan shall, along with the Freeze Drying Equipment, provide Zhejiang Xingcai with an instruction manual on the use and maintenance of the Freeze Drying Equipment, the qualification documents of all the Freeze Drying Equipment and the supervision and inspection certificate materials on the manufacturing of the pressure vessel.

After the delivery of the Freeze Drying Equipment, Tonking Jiangshan shall provide training Zhejiang Xingcai no less than 10 operation and maintenance personnel required for production within 15 working days, they shall have certain technical knowledge and understand the structure of the Freeze Drying Equipment and be able to operate and conduct necessary maintenance of the Freeze Drying Equipment independently.

Acceptance and Quality Assurance

Tonking Jiangshan shall issue a product installation inspection report and a certificate of approval to Zhejiang Xingcai, and Zhejiang Xingcai shall conduct the final quality acceptance of the Freeze Drying Equipment according to the national standards. The Freeze Drying Equipment that does not meet the national standards will be rejected and returned or exchanged by Zhejiang Xingcai, related loss of which shall be compensated by Tonking Jiangshan to Zhejiang Xingcai.

The trial running period shall be 240 hours' continuous stable operation of all the Freeze Drying Equipment. If any discrepancy with the Freeze Drying Equipment Sales Agreement occurs during the trial running period, both parties shall negotiate to solve the issue, otherwise Zhejiang Xingcai will not conduct the preliminary acceptance.

If without quality problems or claims after confirming the completion of all the work, Zhejiang Xingcai can conduct the final acceptance within 90 working days from the date of signing the preliminary acceptance certificate, and both parties shall sign the final acceptance certificate, otherwise no final acceptance will be conducted.

The warranty period shall be three years from the date of signing the final acceptance certificate upon the delivery and acceptance of the Freeze Drying Equipment.

Tonking Jiangshan shall ensure the stable operation of the equipment supplied under the technical performance and guarantee indices as specified in the Freeze Drying Equipment Sales Agreement and the agreed technical regulations, and be responsible for eliminating any defects of the Freeze Drying Equipment free of charge.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in renewable energy business in the PRC.

Tonking Jiangshan is principally engaged in the research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials.

Zhejiang Xingcai was established in 2016 with a registered capital of RMB50 million. It plants healthy vegetables with no “pesticide and heavy-metal pollution” through adopting hydroponic cultivation technology of Japan plant factory; in 2018, Zhejiang Xingcai introduced “Denmark” freeze-drying technology to intensively develop and produce freeze-dried food. The company is a freeze-dried product manufacturer in China that directly uses hydroponic vegetables sourced from plant factory as one of the raw materials of products.

DIRECTOR’S INTEREST IN THE CONNECTED TRANSACTION

Zhejiang Xingcai is indirectly owned as to 97% and 3% by Mr. Wu and Mr. Xu respectively. Mr. Wu and Mr. Xu are regarded as being interested in the transactions contemplated under the Freeze Drying Equipment Sales Agreement due to their interests in Zhejiang Xingcai and therefore have abstained from voting on the Board resolution approving the said agreement. Save and except for the aforesaid, none of the Directors has any material interest in any of the transactions contemplated under the Freeze Drying Equipment Sales Agreement and are required to abstain from voting on the Board resolutions to approve the same.

REASONS FOR AND BENEFITS OF THE FREEZE DRYING EQUIPMENT SALES AGREEMENT

The sale of the Freeze Drying Equipment is a new business of the Group. The entry into the Freeze Drying Equipment Sales Agreement does not only indicate that the products of Tonking Jiangshan meet the industrial standards of the Ministry of Trade in the PRC, but also can facilitate the business expansion of the Group and bring in a new source of income for the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Freeze Drying Equipment Sales Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Zhejiang Xingcai is indirectly owned as to 97% and 3% by Mr. Wu and Mr. Xu respectively. Zhejiang Xingcai is an associate of Mr. Wu. Mr. Wu is an executive Director, the chairman of the Board and the chief executive officer of the Company. Therefore, Zhejiang Xingcai is a connected person of the Company. Under Chapter 20 of the GEM Listing Rules, the transactions under the Freeze Drying Equipment Sales Agreement will constitute a connected transaction of the Company.

As applicable percentage ratios in respect of the Freeze Drying Equipment Sales Agreement are over 0.1% but less than 5%, the Freeze Drying Equipment Sales Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders’ approval requirement under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Zhejiang Xingcai”	Zhejiang Xingcai Agricultural Technology Co., Ltd.* (浙江星菜農業科技有限公司), a company incorporated in the PRC with limited liability, which is a connected person of the Company
“Tonking Jiangshan”	Tonking New Energy Technology (Jiangshan) Limited* (同景新能源科技(江山)有限公司), a company incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Company”	Tonking New Energy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange
“Mr. Wu”	Mr. Wu Jian Nong, the executive director, the chairman of the Board and chief executive officer of the Company, who is interested in 97% equity interest of Zhejiang Xingcai as at the date of this announcement
“Mr. Xu”	Mr. Xu Shui Sheng, the executive director of the Company, who is interested in 3% equity interest of Zhejiang Xingcai as at the date of this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Freeze Drying Equipment Sales Agreement”	the agreement entered into by Tonking Jiangshan as vendor and Zhejiang Xingcai as purchaser in relation to the sale and purchase of the Freeze Drying Equipment on 31 October 2019
“Freeze Drying Equipment”	the freeze drying equipment to be provided by Tonking Jiangshan to Zhejiang Xingcai as set out in the Freeze Drying Equipment Sales Agreement
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For illustration purposes only in this announcement, the amounts in RMB were translated into HK\$ at the rate of RMB1 = HK\$1.11.

By Order of the Board
Tonking New Energy Group Holdings Limited
Mr. Wu Jian Nong
*Executive Director, Chairman of the Board
and Chief Executive Officer*

Hong Kong, 31 October 2019

As at the date of this announcement, the executive Directors are Mr. Wu Jian Nong, Ms. Shen Meng Hong, Mr. Xu Shui Sheng and Mr. Zhou Jian Ming; and the independent non-executive Directors are Mr. Yuan Jiangang, Ms. Wang Xiaoxiong and Mr. Zhou Yuan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website (www.hkexnews.hk) for at least 7 days from the date of its posting and will also be published on the Company’s website (www.tonkinggroup.com.hk).

* for identification purposes only