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## **CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED**

### **中國瑞風新能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00527)**

## **DISCLOSEABLE TRANSACTION**

### **(1) TERMINATION OF ACQUISITION OF EQUITY INTERESTS IN CH-AUTO TECHNOLOGY; AND (2) ENTERING INTO THE CAPITAL INJECTION AGREEMENT**

Reference is made to the announcements of China Ruifeng Renewable Energy Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 10 December 2021, 14 December 2021 and 12 January 2022 in relation to the acquisition of equity interests in CH-Auto Technology by the Company which constituted a discloseable transaction under Chapter 14 of the Listing Rules (the “**Announcements**”).

The Board announces that (i) the Company and CH-Auto Technology, its wholly-owned subsidiary, and its shareholder, have entered into a supplemental agreement to mutually agree to terminate the Subscription Agreement with effect from 28 February 2023, for the purpose of potential overseas listing of CH-Auto Technology; and (ii) Chengde Ruifeng, a wholly-owned subsidiary of the Company, and CH-Auto Technology entered into the Capital Injection Agreement on 28 February 2023 (after trading hours) to substitute the Subscription Agreement.

CH-Auto Technology is a company incorporated in the PRC with limited liability which was previously listed on the NEEQ and is principally engaged in vehicle design and development services, vehicle production and sales, and vehicle research and development.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the entering into the Capital Injection Agreement constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Reference is made to the Announcements of the Company in relation to the acquisition of equity interests in CH-Auto Technology by the Company which constituted a discloseable transaction under Chapter 14 of the Listing Rules. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Board announces that (i) the Company and CH-Auto Technology, its wholly-owned subsidiary, and its shareholder, have entered into a supplemental agreement to mutually agree to terminate the Subscription Agreement with effect from 28 February 2023, for the purpose of potential overseas listing of CH-Auto Technology; and (ii) Chengde Ruifeng, a wholly-owned subsidiary of the Company, and CH-Auto Technology entered into the Capital Injection Agreement on 28 February 2023 (after trading hours) to substitute the Subscription Agreement.

## **LISTING RULES IMPLICATIONS**

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## **THE CAPITAL INJECTION AGREEMENT**

Date: 28 February 2023 (after trading hours)

Parties: Chengde Ruifeng (as the investor); and  
CH-Auto Technology (as the target company).

Investment:	Pursuant to the Capital Injection Agreement, Chengde Ruifeng shall contribute an aggregate amount of RMB20 million to subscribe for 8,000,000 shares of CH-Auto Technology, which represents approximately 0.86% of CH-Auto Technology's total issued share capital subsequent to the Capital Injection.
Method of capital injection and payment:	Chengde Ruifeng shall pay RMB20 million in cash to a designated bank account of CH-Auto Technology.
Closing:	CH-Auto Technology shall complete capital verification and registration procedures within 30 business days after Chengde Ruifeng's payment, and make delivery of the relevant shares to Chengde Ruifeng on the day of the capital verification report.

### **Rights of Chengde Ruifeng after Capital Injection**

Pursuant to the Capital Injection Agreement, following the Capital Injection to CH-Auto Technology, Chengde Ruifeng will share the profit of CH-Auto Technology together with its existing shareholders in proportion to its shareholding.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange. The Group is principally engaged in the businesses of wind power generation.

### **Chengde Ruifeng**

Chengde Ruifeng is an indirect wholly-owned subsidiary of the Company and is principally engaged in the production of wind turbine blades and components.

### **CH-Auto Technology**

CH-Auto Technology is a company incorporated in the PRC with limited liability which was previously listed on the NEEQ of the PRC (NEEQ: 833581, voluntarily delisted on 19 April 2019). Established in 2012, it is principally engaged in vehicle design and development services, vehicle production and sales, and vehicle research and development. CH-Auto Technology and its subsidiaries' product and services cover traditional vehicles, new energy vehicles and military vehicles, and are also involved in projects relating to cutting-edge vehicle technologies such as self-driving cars, internet of things and smart traffic.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CH-Auto Technology and its ultimate beneficial owner(s), and Mr. Lu Qun\*, are Independent Third Parties and not connected to the Company and its connected persons.

Set out below is the extract of the consolidated financial information of CH-Auto Technology and its subsidiaries for the years ended 31 December 2020 and 2021, respectively, prepared under the PRC GAAP:-

	<b>For the years ended</b>	
	<b>31 December</b>	
	2020	2021
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	689,595	<b>487,824</b>
Loss after taxation	689,301	<b>488,533</b>
Net liabilities	444,465	<b>953,309</b>

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

As disclosed in its 2021 Annual Report, in addition to its principal business of operating wind farms, the Group continues searching for investment opportunities in the energy and renewable energy sectors.

In addition to the overall shift in the market in recent years towards cleaner new energies, the electric vehicles market in the PRC has also benefitted from strong support from the PRC government, which has promulgated favourable policies in the recent years. In particular, on 20 October 2020, the State Council of the PRC announced the Development Plan on New Energy Vehicle Industry (2021–2035) (新能源汽车产业发展规划 (2021–2035年)) (the “**Development Plan**”), which aims to guide the development of the new energy vehicle market. As outlined in the Development Plan, the PRC government will, among other things, intensify and encourage research and development of electric vehicle systems and batteries, support the integration of new energy vehicles and increase the development of related infrastructure, with the aim of having electric vehicles sales reach 20% of the total sales volume of new passenger vehicles in the PRC in 2025. Other favourable policies such as the exemption of vehicle purchase tax on electric vehicles, financial subsidies for the promotion and application of new energy vehicles, and tightening emissions requirements for traditional vehicles have led to strong growth in the electric vehicles market in the PRC. According to the China Association of Vehicle Manufacturers, sales of new energy vehicles reached 6.9 million units for 2022, representing a year-on-year increase of 93.4%.

On top of the robust electric vehicles market in the PRC, CH-Auto Technology and its subsidiaries are well-established in both the traditional and new energy vehicle industry, with both technological expertise and production capabilities in the new energy vehicles arena. It has in the past established strategic partnerships with globally renowned automobile companies such as Bosch and the International Automotive Components Group.

Having considered the market outlook and demand for new energy vehicles, the historical financial and operational performance and business prospects of CH-Auto Technology, and the alignment of CH-Auto Technology's business with the Group's own positioning and business in the new renewable energy sector, the Directors are of the view that the Capital Injection Agreement represented a valuable opportunity for the Group to implement its stated investment goals. Due to the arrangement for potential overseas listing of CH-Auto Technology, the parties mutually agreed to terminate the Subscription Agreement and to be substituted by entering into the Capital Injection Agreement.

Taking into account the abovementioned reasons and benefits, the Board considers that the terms of the Capital Injection Agreement are negotiated on an arm's length basis and normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole to terminate the Subscription Agreement and to enter into the Capital Injection Agreement for shares in CH-Auto Technology.

## **BASIS OF THE VALUATION AND REASONS FOR SUCH BASIS**

The price of the Capital Injection was determined after arm's length negotiations between Chengde Ruifeng and CH-Auto Technology with reference to the pre-fundraising valuation of approximately RMB2 billion CH-Auto Technology at the time of entering into the Subscription Agreement, based largely on previous valuations of CH-Auto Technology conducted by an independent valuer in April 2019.

The said independent valuer valued CH-Auto Technology's intangible assets at approximately RMB1.73 billion (the "**Intangible Assets Valuation**") and CH-Auto Technology's 100% equity interests at approximately RMB8.31 billion (the "**100% Equity Interest Valuation**"). The 100% Equity Interest Valuation of CH-Auto Technology was prepared using the income-based approach. The Intangible Assets Valuation of CH-Auto Technology was prepared using (i) the income-based approach in relation to its patents; and (ii) the replacement cost approach in relation to its software copyrights.

No new valuation report was made for the valuation of the Capital Injection as at the material time, the vehicle and vehicle parts and components production of CH-Auto Technology had been significantly scaled down. Based on information provided by CH Auto Technology, only approximately 16% and 4% of its revenue for the year ended 31 December 2020 and the nine months ended 30 September 2021 was derived from sale of vehicles, vehicle parts and components and others segment.

Since it was expected that CH-Auto Technology would resume its normal scale of vehicle and vehicle parts and components production following the contemplated round of funding, CH-Auto Technology and the investors considered that valuation reports made in 2019 (prior to the scaling down of vehicle and vehicle parts and components production) would be more suitable and more accurately reflect the expected conditions of CH-Auto Technology following the contemplated investments. The pre-fundraising valuation was therefore determined based on the Intangible Assets Valuation plus an adjusted 100% Equity Interest Valuation which reflected the percentage of revenue which was derived from the sale of vehicles and vehicle parts and components and others segment for the nine months ended 30 September 2021 (being the financial information which was available at the time upon signing of the Subscription Agreement). Further consideration was also made to the expected beneficial effect of full year financial information on the pre-valuation fundraising had it been available at the material time.

Considering all the above, the Board is therefore of the view that the valuation of Capital Injection of RMB2 billion, and the bases and assumptions adopted for the same, are fair and reasonable.

## **IMPLICATION UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription Agreement exceed 5% but are less than 25%, the entering into the Capital Injection Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements set out in the Listing Rules.

## **DEFINITIONS**

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

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|----------------------|--|
| “CH-Auto Technology” | CH-Auto Technology Corporation Ltd.* (北京長城華冠汽車科技股份有限公司), a company incorporated in the PRC with limited liability and whose shares was previously listed on the NEEQ (NEEQ: 833581, voluntarily delisted on 19 April 2019), and is beneficially held by Mr. Lu Qun* as to approximately 14.11% |
| “Chengde Ruifeng”    | Chengde Ruifeng Renewable Energy Windpower Equipment Co. Ltd* (承德瑞風新能源風電設備有限公司), a company incorporated in the PRC with limited liability and a wholly-owned indirectly held by the Company  |

“Capital Injection”	the capital injection of RMB20 million to be made by Chengde Ruifeng
“Capital Injection Agreement”	the agreement dated 28 February 2023 between Chengde Ruifeng and CH-Auto Technology in relation to the Capital Injection
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Supplemental Agreement”	the agreement dated 28 February 2023 between Chengde Ruifeng and CH-Auto Technology in relation to the termination of the Subscription Agreement dated 10 December 2021
“2021 Annual Report”	the annual report of the Company for the year ended 31 December 2021

\* *For identification purposes only*

By order of the Board of  
**China Ruifeng Renewable Energy Holdings Limited**  
**Zhang Zhixiang**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 February 2023

*As at the date of this announcement, the executive Directors are Mr. Zhang Zhixiang (Chief Executive Officer), Mr. Ning Zhongzhi, Mr. Li Tian Hai and Mr. Peng Ziwei; and the independent non-executive Directors are Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin.*