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## **Concord New Energy Group Limited**

**協合新能源集團有限公司** \*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 182)**

### **MAJOR TRANSACTION FINANCE LEASE ARRANGEMENT**

The Board is pleased to announce that after trading hour on 10 July 2023, the Seller, the Lessee and the Financier agreed on the Finance Lease Arrangement by way of entering into the following agreements:

- (a) the Seller, the Lessee and the Financier entered into the Purchase Agreement, pursuant to which the Financier shall purchase the Equipment from the Seller at a purchase price of RMB296 million for the purposes of leasing the Equipment to the Lessee; and
- (b) the Lessee and the Financier entered into the Finance Lease Agreement, pursuant to which the Lessee shall lease the Equipment from the Financier during the Lease Period in consideration of the Lessee paying to the Financier the quarterly Lease Payments.

The highest Applicable Percentage Ratio for the Finance Lease Arrangement exceeds 5% but is less than 25%. As the Previous Finance Lease Arrangements were entered into within a 12-month period before the date of the Finance Lease Arrangement, the transactions contemplated under the Finance Lease Arrangement and the Previous Finance Lease Arrangements shall be aggregated under Chapter 14 of the Listing Rules resulting in the highest Applicable Percentage Ratio on an aggregated basis exceeding 25% but less than 75%. Hence, the Finance Lease Arrangement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is thus subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A special general meeting will be convened by the Company to consider and, if thought fit, approve the Finance Lease Arrangement by the Shareholders. A circular containing, among other things, details of the Finance Lease Arrangement and a notice of special general meeting of the Company is expected to be despatched to the Shareholders on or before 25 August 2023.

## **INTRODUCTION**

The Board is pleased to announce that after trading hour on 10 July 2023, the Seller, the Lessee and the Financier agreed on the Finance Lease Arrangement by way of entering into the following agreements. Details of the Finance Lease Arrangement are set out below.

## **FINANCE LEASE ARRANGEMENT**

### **Purchase Agreement**

- Date: 10 July 2023
- Parties:
- (i) the Financier as the purchaser of the Equipment under the Purchase Agreement;
  - (ii) the Seller as the seller of the Equipment; and
  - (iii) the Lessee as the original purchaser of the Equipment under the Original Purchase Agreement.
- Subject asset: The Equipment, which shall be purchased by the Financier from the Seller by way of transferring by the Lessee to the Financier the relevant rights and obligations of the Lessee under the Original Purchase Agreement for the purchase of the Equipment. The Equipment shall be purchased by the Financier for the purposes of the Financier leasing the Equipment to the Lessee.
- Purchase price and completion: The Purchase Price payable by the Financier to the Seller for the purchase of the Equipment shall be RMB296 million, which was determined after arm's length negotiation between the Seller, the Lessee and the Financier with reference to the market value of the Equipment and the amount of financing needs required by the Group under the Finance Lease Arrangement. The original purchase price of the Equipment is in line with its market value, which is determined based on reviewing quotations obtained from suppliers of comparable equipment who are independent third parties.
- The Purchase Price shall be payable in three instalments. The first instalment of the Purchase Price, being an amount of no more than RMB88.8 million, shall be payable after not less than 50% capacity of the project having been leased out. The first instalment of the Purchase Price is expected to be paid around the end of September 2023.

The second instalment of the Purchase Price shall be an amount not more than an amount equal to RMB150 million minus the first instalment of the Purchase Price. The second instalment of the Purchase Price shall be payable after all the 28 units of the prefabricated cabins for the energy storage battery system having been delivered to the site of the Power Station with an invoiced amount of not less than RMB100 million. The second instalment of the Purchase Price is expected to be paid around the end of September 2023.

The final instalment of the Purchase Price, being the balance of the Purchase Price (i.e. the Purchase Price minus the first and the second instalments of the Purchase Price), shall be payable after (i) the full capacity of the Power Station having been connected to the grid; (ii) the grid-connected dispatch agreement, and power purchase and sale contract having been entered into; and (iii) all the related invoices having been provided to the Financier. The final instalment of the Purchase Price is expected to be paid around the end of October 2023.

## **Finance Lease Agreement**

Date: 10 July 2023

Parties: (i) the Financier as the lessor; and  
(ii) the Lessee as the lessee.

Subject asset: The Equipment, which shall be leased from the Financier by the Lessee.

Lease period: The period in which the Lessee shall lease the Equipment from the Financier commencing from the date of the payment of the first instalment of the Purchase Price by the Financier and ending on the 12th anniversary of the date of the payment of the final instalment of the Purchase Price by the Financier.

Lease payments and interest rate: The Lessee shall pay quarterly Lease Payments in arrears to the Financier during the Lease Period. The total Lease Payments represents the Purchase Price plus interests attributable to the Finance Lease Arrangement to be determined based on the following applicable interest rate.

The applicable interest rate for each instalment of the Purchase Price is a floating interest rate equal to the relevant over-5-year LPR plus 0.30%. The relevant over-5-year LPR for the first quarterly Lease Payment in respect of each instalment of the Purchase Price is the LPR announced on 20 June 2023, being 4.2%, which gives rise to an applicable interest rate of 4.5% for the first quarterly Lease Payment in respect of each instalment of the Purchase Price. The applicable interest rate in respect of each instalment of the Purchase Price will be adjusted annually on the anniversary of the payment of such instalment of the Purchase Price, which will, after adjustment, equal to the then latest over-5-year LPR plus 0.30%. Assuming the applicable interest rate being 4.5% throughout the Lease Period for each instalment of the Purchase Price, the total Lease Payments would be approximately RMB373.25 million. The Lease Payments and the applicable interest rate were determined after arm's length negotiation between the Lessee and the Financier with reference to the prevailing market cost of equipment finance lease.

Security documents:

As security for the due performance of all the Lessee's obligations under the Finance Lease Agreement, the Lessee and certain wholly-owned subsidiaries of the Company (namely Century Concord Wind Power and Wuhan Shunhe) shall, in favour of the Financier, execute the security documents consisting of (i) the guarantee given by Century Concord Wind Power; (ii) the pledge given by Wuhan Shunhe for the entire equity interest in the Lessee owned by it; and (iii) the pledge given by the Lessee in respect of its capacity rent and account receivables. The Finance Lease Agreement and the said security documents have no material adverse effect on the operation and management of the Group's businesses.

Security deposit:

Nil

Handling fee:

Nil

Buyback option:

Upon the expiry of the Lease Period, the Lessee has the option to buy back the Equipment from the Financier at a consideration of RMB1,000.

## **CONDITION PRECEDENT**

The Finance Lease Arrangement shall not take effect until the Company having published an announcement disclosing that the Purchase Agreement and the Finance Lease Agreement having been approved by the Shareholders at the special general meeting of the Company. If the Shareholders do not approve the said agreements at the said special general meeting, the Finance Lease Arrangement will have no legal effect, and will thus not be legally binding against the parties.

## **REASONS FOR AND BENEFIT OF THE FINANCE LEASE ARRANGEMENT**

The entering into the Finance Lease Arrangement is in the ordinary and usual course of business of the Group, which allows the Group to obtain financial resources and gain access to certain equipment as required for its operations. The Directors consider that the terms of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable and are in the interests of the Shareholders as a whole. The unaudited book value of Equipment as at 30 June 2023 is approximately RMB296 million. According to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Arrangement will not give rise to any disposal gain or loss to be recorded by the Group.

## **INTENDED USE OF PROCEEDS**

The Company will generate a net disposal proceeds of approximately RMB296 million under the Finance Lease Arrangement, which will be used as general working capital to finance the business operation and activities of the Group within its ordinary course of business, including the purchase of wind power, photovoltaic power and energy storage equipment, and construction of wind power, photovoltaic power and energy storage power stations.

## **GENERAL INFORMATION**

The Company is an investment holding company. The Group is principally engaged in (i) investing in wind and solar power projects and (ii) offering professional technical services and integrated solutions to the wind and solar power generation projects.

The Seller is principally engaged in the research and development, manufacturing and trading of energy storage equipment. The Seller is beneficially owned as to approximately 99.97% by the Group and, insofar as the Company is aware, as to approximately 0.03% by independent third parties.

The Lessee is a wholly-owned subsidiary of the Company and is principally engaged in the operation of energy storage power station projects in the PRC.

The Financier is a company established in the PRC, and is principally engaged in the business of finance leasing. Insofar as the Company is aware, as at the date of this announcement, the Financier is owned as to 90% by China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 601818) and the Stock Exchange (Stock code: 6818).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Financier and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **PREVIOUS FINANCE LEASE ARRANGEMENTS**

On 23 March 2023, Yongzhou Baimangying Century Concord Wind Power Co., Ltd.\* (永州白芒營協合風力發電有限公司) (“**Baimangying**”) (a wholly-owned subsidiary of the Company) and the Financier entered into a finance lease arrangement (the “**March 2023 Transaction**”), pursuant to which the Financier purchased certain equipment and auxiliary facilities of the power plant of Baimangying (the “**Baimangying Equipment**”) at a purchase price of RMB180 million (which was paid at the end of March 2023) for the purposes of leasing the Baimangying Equipment back to Baimangying for a lease period of 15 years in consideration of Baimangying paying to the Financier quarterly lease payments to be determined with reference to an applicable interest rate for that finance lease arrangement, which are floating interest rates equal to: (i) for the first one-year period, the over-5-year LPR announced on 20 March 2023 (being 4.3%) minus 0.1%, resulting in an applicable interest rate of 4.2%; and (ii) for the rest of lease period, the applicable interest rate will be adjusted annually on the anniversary of the commencement date of the lease period, which will, after adjustment, equal to the then latest over-5-year LPR plus 0.70%. Assuming the applicable interest rate being 4.2% throughout the first one-year period and 5% throughout the rest of the lease period, the total lease payments would be approximately RMB244.30 million. The principal terms of the March 2023 Transaction are materially the same as the Finance Lease Arrangement.

In December 2022, a subsidiary of the Group entered into a finance lease arrangement with the Financier (the “**December 2022 Transaction**”), details of which are set out in the announcement of the Company dated 29 December 2022.

## **IMPLICATIONS UNDER THE LISTING RULES**

The highest Applicable Percentage Ratio for each of the Finance Lease Arrangement and the Previous Finance Arrangements exceeds 5% but is less than 25%. The highest Applicable Percentage Ratio for the March 2023 Transaction is less than 5%. As the Previous Finance Lease Arrangements were entered into within a 12-month period before the date of the Finance Lease Arrangement, the transactions contemplated under the Finance Lease Arrangement and the Previous Finance Lease Arrangements shall be aggregated under Chapter 14 of the Listing Rules resulting in the highest Applicable Percentage Ratio exceeding 25% but less than 75%. Hence, the Finance Lease

Arrangement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is thus subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A special general meeting will be convened by the Company to consider and, if thought fit, approve the Finance Lease Arrangement by the Shareholders. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interests in the Finance Lease Arrangement, and are required to abstain from voting on the relevant resolution at the special general meeting of the Company. A circular containing, among other things, details of the Finance Lease Arrangement and a notice of special general meeting of the Company is expected to be despatched to the Shareholders on or before 25 August 2023.

## DEFINITIONS

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

“Applicable Percentage Ratio”, “connected person” and “subsidiary”	have the meanings ascribed to them under the Listing Rules;
“Board”	board of Directors;
“Century Concord Wind Power”	Century Concord Wind Power Investment Co., Ltd.* (協合風電投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Company”	Concord New Energy Group Limited (協合新能源集團有限公司*) (Stock code: 182), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Equipment”	certain energy storage equipment used for the Power Station (including prefabricated cabins for the energy storage battery system, storage monitoring system and other auxiliang facilities);
“Finance Lease Agreement”	the finance lease agreement between the Lessee and the Financier dated 10 July 2023 for the leasing of the Equipment to the Lessee from the Financier;
“Finance Lease Arrangement”	the transactions contemplated under the Purchase Agreement and the Finance Lease Agreement;

“Financier”	Everbright Financial Leasing Co., Ltd.* (光大金融租賃股份有限公司), a company established in the PRC with limited liability;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Lease Payment(s)”	the quarterly lease payment(s) payable by the Lessee to the Financier under the Finance Lease Agreement for the leasing of the Equipment;
“Lease Period”	the period in which the Lessee shall lease the Equipment from the Financier;
“Lessee”	Yongzhou Century Concord Energy Technology Co., Ltd.* (永州協合能源科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“LPR”	the loan prime rate (貸款市場報價利率) announced by the National Interbank Funding Center (全國銀行間同業拆借中心) from time to time;
“MW”	megawatt;
“Original Purchase Agreement”	the sale and purchase, and installation agreement dated 10 February 2023 between the Seller and the Lessee for the originally proposed purchase of the Equipment by the Lessee from the Seller;
“Power Station”	the 100MW/200MWh energy storage power station project operated by the Lessee in Yongzhou City, Hunan Province, the PRC (中國湖南省永州市);
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Previous Finance Lease Arrangements”	the previous finance lease arrangements set out in the paragraph headed “Previous Finance Lease Arrangements” in this announcement;

“Purchase Agreement”	the supplemental agreement dated 10 July 2023 in relation to the Original Purchase Agreement between the Seller, the Lessee and the Financier for the sale of the Equipment from the Seller to the Financier;
“Purchase Price”	the purchase price payable by the Financier for the purchase of the Equipment;
“Wuhan Shunhe”	Wuhan Shunhe New Energy Investment Co., Ltd.* (武漢順合新能源投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seller”	Edge Power Technology Co., Ltd.* (四維能源(武漢)科技有限公 司), a company established in the PRC with limited liability and an approximately 99.97% owned subsidiary of the Company;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

For and on behalf of  
**Concord New Energy Group Limited**  
**Liu Shunxing**  
*Chairman*

Hong Kong, 10 July 2023

*As at the date of this announcement, the Board comprises Mr. Liu Shunxing (Chairman), Ms. Liu Jianhong (Vice Chairperson), Mr. Gui Kai (Chief Executive Officer), Mr. Niu Wenhui and Mr. Zhai Feng (all of above are executive Directors), Mr. Wang Feng (who is a non-executive Director), and Mr. Yap Fat Suan, Henry, Dr. Jesse Zhixi Fang, Ms. Huang Jian, Mr. Zhang Zhong and Ms. Li Yongli (who are independent non-executive Directors).*

*\* For identification purposes only.*