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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

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that after trading hour on 18 September 2023, the Lessee and the Financier agreed on the Finance Lease Arrangement by way of entering into the Finance Lease Agreement, pursuant to which the Financier shall purchase the Auxiliary Facilities from the Lessee at a purchase price of RMB348.1 million, and shall lease the Auxiliary Facilities back to the Lessee for the Lease Period in consideration of the Lessee paying to the Financier the quarterly Lease Payments.

LISTING RULES IMPLICATIONS

The highest Applicable Percentage Ratio for the Finance Lease Arrangement exceeds 5% but is less than 25%. As the Previous Finance Lease Arrangement was entered into within a 12-month period before the date of the Finance Lease Agreement, the transactions contemplated under the Finance Lease Arrangement and the Previous Finance Lease Arrangement 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 October 2023.

The Board is pleased to announce that after trading hour on 18 September 2023, the Lessee and the Financier agreed on the Finance Lease Arrangement by way of entering into the Finance Lease Agreement. Details of the Finance Lease Agreement are set out below.

FINANCE LEASE AGREEMENT

- Date: 18 September 2023
- Parties: (i) the Financier as the purchaser and the lessor; and
(ii) the Lessee as the seller and the lessee.
- Subject asset: The Auxiliary Facilities, which shall be acquired by the Financier from the Lessee and then leased back to the Lessee from the Financier.
- Purchase price: The Purchase Price payable by the Financier to the Lessee for the acquisition of the Auxiliary Facilities shall be RMB348.1 million, which was determined after arm's length negotiation between the Lessee and the Financier with reference to the total sub-contracting price for the construction of the Auxiliary Facilities and the amount of financing needs required by the Group under the Finance Lease Arrangement. The Purchase Price equals to the total subcontracting price for the construction of the Auxiliary Facilities plus the management costs of the Group attributable to the Auxiliary Facilities. The total sub-contract price for the construction of the Auxiliary Facilities was determined based on the Group's experience in hiring sub-contractors accumulated in past years and through reviewing the quotations submitted by potential sub-contractors, who were all independent third parties. As at the date of this announcement, the construction of the Auxiliary Facilities have been completed.
- The Purchase Price shall be payable within 30 business days after the fulfilment of the following conditions:
- (a) the Security Documents (as defined below), and other ancillary documents relating to the Finance Lease Arrangement between the Financier and the Lessee or between any of them and third parties having been entered into and become effective, all the relevant procedures for them having completed, and there being no subsisting breaches of such Security Documents and ancillary documents;

- (b) as at the payment of the Purchase Price, there being no material changes to the fiscal, taxation and financial policies, or government regulatory measures and standards on the capital of the financial and financial leasing industries, the market financing cost not having increased significantly, and there being no force majeure or change of circumstances that may affect the realisation of the Financier's right as a creditor;
- (c) there being no material change to the control or financial conditions of the Lessee, and/or the guarantor or pledgers of the Security Documents, and no occurrence of any events that may adversely affect the performance of the Finance Lease Agreement, the Security Documents and the related agreements;
- (d) as at the date of payment of the Purchase Price, there being no subsisting breaches of the Finance Lease Agreement and any other agreements between the Lessee of the one part, and the Financier or any other third party of the other part;
- (e) the Lessee having provided to the Financier a proof of the receipt of capital contribution;
- (f) the Lessee having provided to the Financier any one of the electricity licence, the power purchase and sale contract, or the grid-connected dispatch agreement relating to the Power Plant; and
- (g) all other conditions or procedures as required by the Finance Lease Agreement having been fulfilled.

It is expected that the Purchase Price will be paid before the end of December 2023.

Lease period:

A period of 12 years commencing from the date of payment of the Purchase Price.

Lease payments and interest rate:	<p>The Lessee shall pay quarterly Lease Payments in arrears to the Financier during the Lease Period. The total Lease Payments represents the Purchase Price paid by the Financier for the purchase of the Auxiliary Facilities plus interests attributable to the Finance Lease Arrangement to be determined based on the following applicable interest rate.</p> <p>The applicable interest rate is a floating interest rate equal to the relevant over-5-year LPR as may be announced from time to time minus 0.1%. The relevant LPR for the first quarterly Lease Payment is the LPR announced on 20 June 2023, being 4.2%, which gives rise to an applicable interest rate of 4.1% for the first quarterly Lease Payment. The applicable interest rate will be adjusted on the day of the announcement of a new over-5-year LPR and will, after adjustment, equal to that over-5-year LPR minus 0.1%. Assuming the applicable interest rate was 4.1% throughout the Lease Period, the total Lease Payments would be approximately RMB443.99 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 auxiliary facilities finance lease.</p>
Security documents:	<p>As security for the due performance of all the Lessee's obligations under the Finance Lease Agreement, the Lessee, the Company and certain wholly-owned subsidiaries of the Company (namely CWP and Yunnan Ruiting) shall, in favour of the Financier, execute the security documents (the "Securities Documents") consisting of (i) the guarantee to be given by the Company; (ii) the pledges to be given by Yunnan Ruiting and CWP on the equity interests in the Lessee owned by them respectively representing the entire equity interest in the Lessee in aggregate; and (iii) the pledge to be given by the Lessee on electricity generation incomes arising from the operation of the Power Plant. The Finance Lease Agreement and the Security Documents have no material adverse effect on the operation and management of the Group's businesses.</p>
Security deposit:	Nil.
Handling fee:	Nil.
Buyback option:	<p>Upon the expiry of the Lease Period, the Lessee has the option to buy back the Auxiliary Facilities from the Financier at nil consideration.</p>

CONDITION PRECEDENT

The Finance Lease Agreement shall not take effect until the Company having published an announcement on the website of the Stock Exchange disclosing that 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 Finance Lease Agreement at the said special general meeting, the Finance Lease Agreement will have no legal effect, and will thus not be legally binding against the parties.

PREVIOUS FINANCE LEASE ARRANGEMENT

On 27 July 2023, the Lessee entered into a finance lease arrangement with the Financier, details of which are set out in the announcement of the Company dated 27 July 2023.

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 auxiliary facilities 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 the Auxiliary Facilities as at 30 June 2023 is approximately RMB348.1 million. According to the Hong Kong Financial Reporting Standards, the transactions 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 total net disposal proceeds of RMB348.1 million under the Finance Lease Agreement, 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 and photovoltaic power equipment, and construction of wind and photovoltaic power plants.

INFORMATION OF THE PARTIES TO THE FINANCE LEASE ARRANGEMENT

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 Lessee is a wholly-owned subsidiary of the Company and is principally engaged in the construction and operation of wind power generation projects in the PRC.

The Financier is a company established in the PRC, which is principally engaged in the business of finance leasing. Insofar as the Company is aware, the Financier is wholly-owned by Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code:

601166). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Financier and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

The highest Applicable Percentage Ratio for the Finance Lease Arrangement exceeds 5% but is less than 25%. As the Previous Finance Lease Arrangement was entered into within a 12-month period before the date of the Finance Lease Agreement, the transactions contemplated under the Finance Lease Arrangement and the Previous Finance Lease Arrangement 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. 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 October 2023.

DEFINITIONS

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

“Applicable Percentage Ratio”, “connected person(s)” and “subsidiary(ies)”	have the meanings ascribed to them under the Listing Rules;
“Auxiliary Facilities”	certain auxiliary facilities of the Power Plant (including booster station);
“Board”	board of Directors;
“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;

“CWP”	CWP Holdings Limited, a company established in Hong Kong with limited liability and a wholly-owned subsidiary of the Group;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the finance lease agreement dated 18 September 2023 between the Lessee and the Financier for the acquisition of the Auxiliary Facilities by the Financier from the Lessee, and the leasing back of the Auxiliary Facilities to the Lessee from the Financier;
“Finance Lease Arrangement”	the transactions contemplated under the Finance Lease Agreement;
“Financier”	Industrial Bank Financial Leasing Co., Ltd.* (興業金融租賃有限責任公司), 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 during the Lease Period in consideration of the Financier leasing the Auxiliary Facilities to the Lessee;
“Lease Period”	the 12-year period, in which the Lessee shall lease the Auxiliary Facilities from the Financier;
“Lessee”	Kaiyuan Julong New Energy Development Co., Ltd.* (開遠聚隆新能源開發有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group;
“Listing Rules”	the 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;

“Power Plant”	the 350MW wind power plant of the Group situated in Kaiyuan City, Yunnan Province, the PRC(中國雲南省開遠市);
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Previous Finance Lease Arrangement”	the finance lease arrangement set out in the paragraph headed “Previous Finance Lease Arrangement” of this announcement;
“Purchase Price”	the purchase price payable to the Lessee by the Financier for the acquisition of the Auxiliary Facilities;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yunnan Ruiting”	Yunnan Ruiting New Energy Technology Co., Ltd* (雲南瑞霆新能源科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group; and
“%”	per cent.

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

Hong Kong, 18 September 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, Mr. Zhai Feng and Ms. Shang Jia (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*