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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)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that after trading hour on 3 June 2021, 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 Sale and Purchase Agreement, pursuant to which the Financier shall purchase the Equipment from the Seller at a purchase price of RMB244 million (approximately HK\$294 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 for the Finance Period in consideration of the Lessee paying to the Financier the quarterly Lease Payments.

LISTING RULES IMPLICATIONS

As the highest Applicable Percentage Ratio for the Finance Lease Arrangement exceeds 5% but is less than 25%, the entering into the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that after trading hour on 3 June 2021, 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

Sale and Purchase Agreement

Date: 3 June 2021

Parties: (i) the Financier as the purchaser;

(ii) the Seller as the seller; and

(iii) the Lessee to undertake certain rights and obligations for the transactions contemplated under the Sale and Purchase Agreement.

Subject asset: The Equipment, which shall be purchased by the Financier from the Seller by way of transferring the relevant rights and obligations of the Lessee under the Original Purchase Agreement to the Financier so that the Financier can lease the Equipment to the Lessee.

Purchase price: The Purchase Price payable by the Financier to the Seller for the purchase of the Equipment shall be RMB244 million (approximately HK\$294 million), which was determined after arm's length negotiation between 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. As at the date of this Announcement, the Equipment has not been fully acquired by the Seller.

The Purchase Price to be paid to the Seller (being the total amount to be borrowed by the Lessee under the Finance Lease Arrangement) is equal to the original purchase price of the Equipment plus the management costs of the Group attributable to the Equipment. The original purchase price of the Equipment is in line with its market value, which is determined based on the Group's experience in acquiring comparable equipment accumulated in the past years and in monitoring the market value of comparable equipment, which includes reviewing quotations obtained from suppliers of comparable equipment who are independent third parties.

The Purchase Price shall be paid by two instalments. The first instalment and the second instalment of the Purchase Price are RMB73.2 million and RMB170.8 million respectively, each of which shall be payable after the fulfilment of the following conditions:

(a) the Financier having received the security deposit under the Finance Lease Agreement;

- (b) all the Security Documents having been executed and all the relevant procedures for the Security Documents having been completed;
- (c) the Lessee having received funding of not less than approximately RMB18.3 million before the payment of the first instalment of the Purchase Price, and approximately RMB60.6 million before the payment of the second instalment of the Purchase Price;
- (d) the Lessee having provided to the Financier certain documents relating to the delivery of the Equipment to the satisfaction of the Financier;
- (e) there being no breach of the Finance Lease Agreement, the Sales and Purchase Agreement, any agreements between the Financier or any third party on the one part and the Lessee and/or the Seller on the other part, or the Security Documents by the Seller, the Lessee or the guarantors and pledgers of the Security Documents;
- (f) there being no material adverse change to the fiscal, taxation and financial policies, or government regulatory measures and standards on the financial and financial leasing industry in the PRC, and the market financing cost not having increased significantly; and
- (g) all other conditions or relevant procedures as required by the Sale and Purchase Agreement or the Finance Lease Agreement having been satisfied or completed.

It is expected that the first instalment of the Purchase Price will be paid around the end of June 2021 and the second instalment of the Purchase Price will be paid around the end of September 2021.

Finance Lease Agreement

Date: 3 June 2021

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.

Finance Period: A period of 8 years commencing from the date of payment of the first instalment of the Purchase Price.

Lease payments and interest rate: The Lessee shall pay quarterly Lease Payments to the Financier during the Finance Period. The total Lease Payments represents the Purchase Price paid by the Financier for the purchase of the Equipment plus interest attributable to the Finance Lease Arrangement to be determined based on the following applicable interest rate.

The applicable interest rate for the first 36 months of the Finance Period is a floating interest rate equal to the relevant 5-year LPR as may be announced from time to time plus 0.73%. The relevant LPR for the first quarterly Lease Payment is the LPR announced on 20 February 2021, being 4.65%, which gives rise to an applicable interest rate of 5.38% for the first quarterly Lease Payment. The applicable interest rate for the remaining 60 months of the Finance Period is a floating interest rate equal to the relevant 5-year LPR plus 1.45%, which gives rise to an applicable interest rate of 6.1% for the thirteenth quarterly Lease Payment assuming the then applicable LPR being 4.65%. Assuming the applicable interest rate was 5.38% throughout the first 36 months of the Finance Period and 6.1% throughout the remaining 60 months of the Finance Period, the total Lease Payments would be approximately RMB309.3 million (approximately HK\$372.7 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, the Company and certain wholly-owned subsidiaries of the Company (namely Century Concord Wind Power and Heilongjiang Shunting) shall, in favour of the Financier, execute the Security Documents consisting of (i) the guarantees to be given by the Company and Century Concord Wind Power respectively; (ii) the pledge on the equity interest in the Lessee to be given by Heilongjiang Shunting; and (iii) the pledge on receivables arising from the operation of the Power Plant to be given by the Lessee.

The Finance Lease Agreement and the Security Documents have no material adverse effect on the operation and management of the Group's businesses.

Security deposit: An amount of RMB6.1 million (approximately HK\$7.3 million), being 2.5% of the Purchase Price, shall be paid by the Lessee to the Financier as deposit to secure the due performance of the Lessee's payment obligations under the Finance Lease Agreement, within 5 working days from the date of the Finance Lease Agreement.

Handling fee: No handling fee is required.

Buyback option: Upon the expiry of the Finance Period, the Lessee has the option to buy back the Equipment from the Financier at a consideration of RMB10,000.

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, and buildings and 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. 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 RMB244 million under the Sale and Purchase Agreement, which will be used for the acquisition of the Equipment.

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 Heilongjiang Shunting (being a wholly-owned subsidiary of the Company) and is principally engaged in the operation of wind power generation projects in the PRC.

The Seller is a wholly-owned subsidiary of the Company and is principally engaged in the trading of equipment for wind and photovoltaic 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

As the highest Applicable Percentage Ratio for the Finance Lease Arrangement exceeds 5% but is less than 25%, the entering into the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Applicable Percentage Ratio”, “connected person(s)” and “subsidiary(ies)”	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 machinery and equipment for the operation of the Power Plant to be purchased by the Financier from the Seller under the Sale and Purchase Agreement;
“Finance Lease Agreement”	the finance lease agreement entered into between the Lessee and the Financier on 3 June 2021 for the leasing of the Equipment to the Lessee from the Financier;
“Finance Lease Arrangement”	the transactions contemplated under the Sale and Purchase Agreement and the Finance Lease Agreement;

“Finance Period”	the 8-year period, in which the Lessee shall pay the Lease Payments to the Financier and shall have the right to use the Equipment;
“Financier”	Industrial 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;
“Heilongjiang Shunting”	Heilongjiang Shunting New Energy Technology Co., Ltd.* (黑龍江順霆新能源技術有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Lease Payment(s)”	the quarterly payment(s) payable by the Lessee to the Financier under the Finance Lease Agreement during the Finance Period in consideration of the Financier leasing the Equipment to the Lessee;
“Lessee”	Fangzheng County Jiangwan Wind Power Co., Ltd.* (方正縣江灣風力發電有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Heilongjiang Shunting;
“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;
“Original Purchase Agreement”	the sale and purchase agreement entered into between the Seller and the Lessee on 23 November 2020 for the purchase of the Equipment by the Lessee from the Seller;
“Power Plant”	the 50MW wind power plant of the Group situated in Fangzheng County, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市方正縣), where the Equipment is situated;
“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;

“Purchase Price”	the purchase price payable to the Seller by the Financier for the purchase of the Equipment;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Seller, the Lessee and the Financier on 3 June 2021 for the purchase of the Equipment from the Seller by the Financier;
“Security Documents”	the security documents relating to the Finance Lease Arrangement as mentioned above;
“Seller”	Haotai New Energy Equipment Co., Ltd.* (浩泰新能源裝備有限公司), a company established in the PRC with limited liability and a wholly-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 the purposes of this announcement, the exchange rates of HK\$1.00 = RMB0.83 has been used for currency translation. Such exchange rates are for illustration purposes only and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such rate.

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

Hong Kong, 3 June 2021

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 and Mr. Zhang Zhong (who are independent non-executive Directors).

* *For identification purposes only*