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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

DISPOSAL OF PROJECT COMPANY

The Board is pleased to announce that after trading hour on 19 July 2021, Yinhua Century Concord (a wholly-owned subsidiary of the Company), the Purchaser and certain subsidiaries of the Company entered into the Disposal Agreement for the sale to the Purchaser of the 100% interest in Beijing Bainian at the consideration of approximately RMB471.88 million (approximately HK\$568.53 million) subject to adjustment as set out below.

As the highest Applicable Percentage Ratio for the Disposal is more than 5% but less than 25%, the entering into the Disposal Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules. As the Previous Disposal Agreements were completed within a 12-month period before the date of the Disposal Agreement, the Aggregated Transactions shall be aggregated under Chapter 14 of the Listing Rules resulting in a highest Applicable Percentage Ratio on an aggregated basis exceeds 25% but is less than 75%. Hence, the Aggregated Transactions on an aggregated basis constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Disposal Agreement 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 Disposal by the Shareholders. A circular containing, among other things, details of the Disposal and a notice of special general meeting of the Company is expected to be despatched to the Shareholders on or before 31 August 2021 as additional time is required to prepare and finalise the relevant information to be included in the circular.

INTRODUCTION

The Board is pleased to announce that after trading hour on 19 July 2021, Yinhua Century Concord, the Purchaser and certain subsidiaries of the Company entered into the Disposal Agreement with the Purchaser for the Disposal. Details of the Disposal and the principal terms of the Disposal Agreement are set out below.

DISPOSAL AGREEMENT

Date : 19 July 2021

Parties : (i) Yinhua Century Concord as the seller;

(ii) China Three Gorges Renewables (Group) Co., Ltd.* (中國三峽新能源(集團)股份有限公司) as the purchaser;

(iii) Beijing Bainian and Bozhou Century Concord as the covenantors to undertake to assist in the completion of the Disposal Agreement; and

(iv) Century Concord Wind Power as the guarantor in respect of certain obligations of Yinhua Century Concord as set out below.

Subject matter : Sale Share, representing the 100% interest in Beijing Bainian. Beijing Bainian wholly owns Bozhou Century Concord, which operates and constructs a 99.95 MW wind power plant project (the “**Project I**”) and a 49.75 MW wind power plant project (the “**Project II**”) in Bozhou City, Anhui Province, the PRC.

All amounts owed by Beijing Bainian and Bozhou Century Concord to Yinhua Century Concord and its affiliates (the “**Debts**”) shall be repaid within 60 working days after the Completion. As at 31 March 2021, the net Debts amounted to approximately RMB216.17 million (approximately HK\$260.45 million).

As at the date of this announcement, Century Concord Wind Power has given a guarantee (the “**Guarantee**”) in favour of Everbright Financial Leasing Co., Ltd.* (光大金融租賃股份有限公司) (the “**Financier**”), which is an independent third party, for the debts owed by Bozhou Century Concord to the Financier amounted to approximately RMB1,060.79 million (approximately HK\$1,278.11 million) as at 30 June 2021. It will be arranged for the release of the Guarantee after Completion. In the event that the Guarantee fails to be released within 4 months from the Completion, the Purchaser or Bozhou Century Concord shall pay a guarantee fee to Century Concord Wind Power, which is equal to (i) the amount of debt subject to the Guarantee multiplied by (ii) the number of days between the Completion and the release of the Guarantee divided by 365 multiplied by (iii) 2%. The guarantee fee shall be paid within 10 working days after the release of the Guarantee.

Consideration

The Consideration payable by the Purchaser for the purchase of the Sale Share shall be approximately RMB471.88 million (approximately HK\$568.53 million) subject to adjustment as set out below. The Consideration was arrived at after arm's length negotiation between Yinhua Century Concord and the Purchaser with reference to (i) the financial position of Beijing Bainian (such as the net asset value of Bozhou Century Concord as at 31 December 2020 of approximately RMB240 million (audited) and as at 31 March 2021 of approximately RMB241.96 million (audited)); (ii) the past business performance of Bozhou Century Concord and its future business prospects; (iii) the Company's experience in the investment, appraisal and disposal of renewable energy projects; and (iv) the reasons and benefits set out in the section headed "Reasons for and Benefits of the Disposal" below.

Payment and Completion

The Consideration shall be paid by the Purchaser to Yinhua Century Concord by instalment in cash in the following manner:

1. within 5 working days after the Completion, the 1st instalment of the Consideration of approximately RMB235.9 million shall be paid, which is expected to be around late September 2021;
2. within 5 working days after the transfer confirmation having been signed by the Purchaser and Yinhua Century Concord, the 2nd instalment of the Consideration of approximately RMB120.9 million shall be paid, which is expected to be around early October 2021;
3. within 5 working days after the fulfillment of the following conditions, the 3rd instalment of the Consideration of RMB5 million shall be paid, which is expected to be around end of June 2022:
 - (a) certain evaluation and acceptance procedures in relation to the Project I and the Project II (collectively the "Projects") having been completed;
 - (b) certain title and approval documents in relation to the lands where the Projects are situated having been obtained;
 - (c) the construction land use planning permit for the Project I and the commencement of construction work permit for the Project II having been obtained;
 - (d) certain safety compliance and acceptance procedures for the Projects having been completed;
 - (e) the completion and settlement of construction works of the Projects having been completed; and

- (f) the special audit for the transitional period between 31 March 2021 and the date of Completion having been completed and confirmed by the Purchaser and Yinhua Century Concord;
4. within 5 working days after the fulfillment of the following conditions, the 4th instalment of the Consideration of RMB3 million shall be paid, which is expected to be around December 2022:
- (a) certain water conservation acceptance procedures of the Project II having been completed; and
- (b) certain ratification in relation to invoices of Beijing Bainnian and Bozhou Century Concord having been completed; and
5. within 5 working days after the obtaining of documentary evidence confirming that there being no material breach of laws relating to the lands of Bozhou Century Concord, the 5th instalment of the Consideration of RMB2 million shall be paid, which is expected to be around December 2022.

The total of the above 5 instalments of the Consideration is approximately RMB366.88 million (approximately HK\$442.02 million). The 6th instalment of the Consideration will be adjusted in accordance with the actual amount of the governmental subsidy approved by the relevant PRC authority for the Project I. The amount to be adjusted includes (1) the final amount of the 6th instalment of the Consideration payable by the Purchaser to Yinhua Century Concord or (2) the amount of Consideration refundable by Yinhua Century Concord to the Purchaser, which will be determined in the accordance with the following formulas:

- (i) if the amount of the power generation capacity of the Project I (the “**Subsidised Capacity**”) being greater than 38.1853 MW for which the governmental subsidy having been obtained on or before 31 December 2022, the final amount of the 6th instalment of the Consideration payable by the Purchaser to Yinhua Century Concord shall be adjusted based on the following formula:

$$P = \text{RMB105 million} - (99.95\text{MW} - \text{Subsidised Capacity}) \times A$$

Note:

“P” means the final amount of the 6th instalment of the Consideration.

“A” means: (a) in the case of the Subsidised Capacity being greater than 38.1853MW but smaller than 50MW, RMB1.7 million per MW; (b) in the case of the Subsidised Capacity being greater than 50MW, RMB1.1 million per MW.

- (ii) if the Subsidised Capacity being smaller than 38.1853MW for which the governmental subsidy having been obtained on or before 31 December 2022, the amount of the 6th instalment of the Consideration shall be reduced to zero and the amount of the Consideration to be refunded to the Purchaser by Yinhua Century Concord shall be determined based on the following formula:

$$R = (99.95\text{MW} - \text{Subsidised Capacity}) \times B - \text{RMB}105 \text{ million}$$

Note:

“R” means the amount of the Consideration to be refunded.

“B” means: (a) in the case of the Subsidised Capacity being greater than 18.4MW but smaller than 38.1853MW, RMB1.7 million per MW; (b) in the case of the Subsidised Capacity being smaller than 18.4MW, RMB1.8 million per MW.

- (iii) if the Subsidised Capacity is not obtained before 31 December 2022, Yinhua Century Concord shall refund RMB74.91 million of the Consideration to the Purchaser within 30 working days upon demand by the Purchaser, and after the Subsidised Capacity has been obtained, the Purchaser shall pay further part payment of the Consideration to Yinhua Century Concord for an amount to be determined based on the following formula:

$$\text{“FP”} = \text{RMB}179.91 \text{ million} - (99.95\text{MW} - \text{Subsidised Capacity}) \times C$$

Note:

“FP” means further part payment of the Consideration.

“C” means: (a) in the case of the Subsidised Capacity being smaller than 18.4MW, RMB1.8 million per MW; (b) in the case of the Subsidised Capacity being greater than 18.4MW but smaller than 50MW, RMB1.7 million per MW; (c) in the case of the Subsidised Capacity being greater than 50MW, RMB1.1 million per MW.

99.95MW mentioned in the above formulas represents the designed power generation capacity of the Project I. The amounts of RMB1.1 million per MW, RMB1.7 million per MW and RMB1.8 million per MW mentioned in the above formulas are determined based on arm’s length negotiation between the Purchaser and the Seller. If no adjustment to the Consideration is required, the final amount of the 6th instalment of the Consideration will be RMB105 million (approximately HK\$126.51 million). In accordance with the above adjustment, the minimum and the maximum Consideration will be approximately RMB291.97 million (approximately HK\$351.77 million) and approximately RMB471.88 million (approximately HK\$568.53 million respectively).

The final amount of the 6th instalment of the Consideration or the refund of the Consideration shall be paid within 30 working days after the receipt of the Approved Subsidy. Under the Disposal Agreement, Century Concord Wind Power acts as the guarantor of Yinhua Century Concord in favour of the Purchaser in respect of Yinhua Century Concord’s obligation to refund any part of the Consideration as mentioned above (if any).

Upon Completion, the Company will cease to have any interest in Beijing Bainian and Bozhou Century Concord.

Condition Precedent

The Disposal Agreement shall not take effect until the obtaining of the approval by the Shareholders at the special general meeting of the Company. If the Shareholders do not approve the Disposal Agreement at the special general meeting of the Company, the Disposal Agreement will not have any legal effect.

INFORMATION ON BEIJING BAINIAN AND BOZHOU CENTURY CONCORD

Beijing Bainian and Bozhou Century Concord were established as limited liability companies in the PRC on 14 March 2008 and 26 February 2016 respectively. Beijing Bainian does not have any material assets or liability apart from the holding of the 100% interest in Bozhou Century Concord. Bozhou Century Concord did not have any profit or loss (before and after taxation) for the two years ended 31 December 2020. The audited net asset value of Bozhou Century Concord as at 31 December 2020 and as at 31 March 2021 were approximately RMB240 million (approximately HK\$289.16 million) and RMB241.96 million (approximately HK\$291.52 million) respectively.

FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal will generate a total cash inflow to the Group (comprising the Consideration and the net Debts) of around (i) approximately RMB688.05 million (approximately HK\$828.98 million) assuming the final Consideration equal to the maximum Consideration of approximately RMB471.88 million; and (ii) approximately RMB508.14 million (approximately HK\$612.22 million assuming the final Consideration equal to the minimum consideration of approximately RMB291.97). The proceeds generated from the Disposal 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. The Company estimates that it will recognise a total unaudited gain from the Disposal of approximately RMB48.26 million (approximately HK\$58.14 million) to approximately RMB228.17 million (approximately HK\$274.90 million) depending the amount of the final Consideration, being the amount equal to the difference between the final Consideration and the net asset value of Beijing Bainian on 31 March 2021. The actual gain arising from the Disposal to be recorded is subject to audit.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has adopted a “build and transfer” strategy, whereby the Group transfers some of the power plants built or operated by it, especially its interests in those power plants with subsidies, in order to receive transfer revenue and cash. The Directors consider that the “build and transfer” strategy enhances the Group’s cash flow, reduces the debt ratio and allows the Group to fully capitalise its strengths in wind and solar power resources development and construction, and ensure the Company’s sustainable, sound and rapid development. The Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

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 wind and solar power generation projects.

Yinhua Century Concord is a wholly-owned subsidiary of the Company and is principally engaged in the investment and operation of wind and solar power generation projects in the PRC.

Beijing Bainian is a wholly-owned subsidiary of the Company as at the date of this announcement and does not engage in any business apart from the holding of the 100% interest in Bozhou Century Concord. Bozhou Century Concord is principally engaged in the operation of and construction of the Project I and the Project II.

Century Concord Wind Power is a wholly-owned subsidiary of the Company and is principally engaged in the investment and operation of wind power generation projects in the PRC.

The Purchaser is principally engaged in the development and investment in wind, solar power, small and medium-sized hydro power generation. Insofar as the Company is aware, as at the date of this Announcement, the Purchaser is a company listed on the Shanghai Stock Exchange (stock code: 600905).

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

PREVIOUS DISPOSAL AGREEMENTS

As set out in the announcement of the Company dated 28 September 2020 (the “**Previous Announcement**”), (i) Yongzhou Jiepai (as defined in the Previous Announcement) and the Purchaser entered into (the “**Yongzhou Disposal Agreement**”), pursuant to which Yongzhou Jiepai has sold to the Purchaser the 100% interest in each of Nanzhao Century Concord (as defined in the Previous Announcement), Huize Century Concord (as defined in the Previous Announcement) and Huize Taihe (as defined in the Previous Announcement) at the consideration of RMB453.76 million (approximately HK\$515.64 million); and (ii) Yinhua Century Concord and the Purchaser entered into (the “**Yinhua Disposal Agreement**”), pursuant to which Yinhua Century Concord has sold to the Purchaser the 100% interest in each of Pingyuan County Century Concord (as defined in the Previous Announcement) and Haixing Century Concord (as defined in the Previous Announcement) at the consideration of RMB122.05 million (approximately HK\$138.69 million). The registration of the industrial and commercial change with the relevant governmental authority for the transfers under the Yongzhou Disposal Agreement and the Yinhua Disposal Agreement has taken place.

On 6 July 2021, Hebei Youhua New Energy Development Co., Ltd.* (河北優華新能源開發有限公司), being a wholly owned subsidiary of the Company, the Purchaser and Kangbao Century Concord Xuwulin Wind Power Co., Ltd.* (康保協合徐五林風力發電有限公司) entered into an agreement (as supplemented) (the “**Kangbao Disposal Agreement**”), pursuant to which Hebei Youhua New Energy Development Co., Ltd.* (河北優華新能源開發有限公司) has sold to the Purchaser the 100% interest in Kangbao Century Concord Xuwulin Wind Power Co., Ltd.* (康保協合徐五林風力發電有限公司) at the consideration of approximately RMB82.16 million (approximately HK\$98.99 million). The registration of the industrial and commercial change with the relevant government authority for the transfer under the Kangbao Disposal Agreement has taken place.

On 6 July 2021, Century Concord Wind Power, the Purchaser and Wuwei Century Concord Solar Power Co., Ltd.* (武威協合太陽能發電有限公司) entered into an agreement (as supplemented) (the “**Wuwei Disposal Agreement**”), pursuant to which Century Concord Wind Power has sold to the Purchaser the 100% interest in Wuwei Century Concord Solar Power Co., Ltd.* (武威協合太陽能發電有限公司) at the consideration of approximately RMB10.84 million (approximately HK\$13.06 million). The registration of the industrial and commercial change with the relevant government authority for the transfer under the Wuwei Disposal Agreement is expected to take place before 31 July 2021.

The Previous Disposals had a total cash inflow (comprising the purchase prices and the net debts owed to the Group by the companies sold under the Previous Disposal Agreements). The said total proceeds have been used and will be used 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 the related auxiliary facilities.

IMPLICATIONS UNDER THE LISTING RULES

As the highest Applicable Percentage Ratio for the Disposal Agreement is more than 5% but less than 25%, the entering into the Disposal Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules. As the Previous Disposal Agreements were completed within a 12-month period before the date of the Disposal Agreement, the Aggregated Transactions shall be aggregated under Chapter 14 of the Listing Rules resulting in a highest Applicable Percentage Ratio on an aggregated basis exceeds 25% but is less than 75%. Hence, the Aggregated Transactions on an aggregated basis constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the Disposal Agreement 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 Disposal by the Shareholders. A circular containing, among other things, details of the Disposal Arrangement and a notice of special general meeting of the Company is expected to be despatched to the Shareholders on or before 31 August 2021 as additional time is required to prepare and finalise the relevant information to be included in the circular.

DEFINITIONS

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

“Aggregated Transactions”	the transactions contemplated under the Previous Disposal Agreements and the Disposal Agreement;
“Applicable Percentage Ratio”, “connected person(s)” and “subsidiary(ies)”	have the meanings ascribed to them under the Listing Rules;
“Beijing Bainian”	Beijing Bainian Yihao New Energy Technology Development Co., Ltd.* (北京百年億豪新能源技術開發有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement;
“Board”	board of Directors;
“Bozhou Century Concord”	Bozhou City Century Concord Solar Power Co., Ltd.* (亳州市協合太陽能發電有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Beijing Bainian; and
“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;
“Completion”	the registration of the industrial and commercial change for the Disposal with the relevant governmental authority;
“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;

“Consideration”	the consideration payable by the Purchaser for the purchase of the Sale Share;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Share by Yinhua Century Concord to the Purchaser;
“Disposal Agreement”	the disposal agreement dated 19 July 2021 (as supplemented) entered into between Yinhua Century Concord, the Purchaser, Beijing Bainian, Bozhou Century Concord and Century Concord Wind Power for the Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt;
“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 Disposal Agreements”	the disposal agreements mentioned in the paragraph headed “Previous Disposal Agreements” in this announcement;
“Purchaser”	China Three Gorges Renewables (Group) Co., Ltd. *(中國三峽新能源(集團)股份有限公司), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Share”	the 100% shareholding interest in Beijing Bainian;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Yinhua Century Concord”

Yinhua Century Concord New Energy Investment Co., Ltd.* (銀華協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; and

“%”

per cent.

For the purposes of this announcement, an exchange rate of HK\$1.00 = RMB0.83 has been used for currency translation. Such exchange rate is 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, 19 July 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*