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熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊猫绿色能源集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

**CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF 17% EQUITY INTEREST IN
FENGXIAN HUIZE PHOTOVOLTAIC ENERGY LIMITED**

INTRODUCTION

Reference is made to the Previous Announcement by the Company in relation to the Previous Transaction described therein.

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 5 July 2019, the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the Sale Equity for a total consideration of RMB43,350,000, subject to the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, the Company owns 33% of the equity interest of the Target Company in aggregate, which is directly held by (i) the Vendor as to 27.44%; and by (ii) UP (Shenzhen) as to 5.56%. Upon completion of the Disposal, the total equity interest owned by the Company in the Target Company will be reduced from 33% to 16%, which will comprise (i) 10.44% equity interest directly owned by the Vendor; and (ii) 5.56% equity interest directly owned by UP (Shenzhen).

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is an investment fund established in the PRC. As the general partner of the Purchaser is an associate of CMNEG, and is therefore a connected person of the Company, the Disposal constitutes a connected transaction of the Company.

As the Aggregated Transactions have been entered into within the same 12 month period, the Company has aggregated them and treated the Aggregated Transactions as if they were one transaction in accordance with Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Equity Transfer Agreement on a stand-alone basis, and with reference to the Aggregated Transactions on an aggregated basis both exceed 0.1% but did not exceed 5%, the Equity Transfer Agreement together would be subject to the reporting and announcement requirements but would be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The reporting and announcement requirements in relation to the Previous Transaction have previously been met by the Company pursuant to the disclosures in the Previous Announcement.

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EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date

5 July 2019

Parties

(1) the Vendor; and

(2) the Purchaser

Subject matter

The Vendor has agreed to sell, and the Purchaser has agreed to acquire, 17% equity interest in the Target Company, subject to the terms and conditions of the Equity Transfer Agreement.

Consideration and payment terms

The consideration for the Disposal payable by the Purchaser to the Vendor is RMB43,350,000. The amount of consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to among others, the unaudited net asset value of the Target Company of approximately RMB196 million as at 30 April 2019.

The consideration in the sum of RMB43,350,000 is payable via bank transfer by the Purchaser to the designated bank account of the Vendor within five business days from the fulfillment of all the conditions precedent as set out in below section headed "Conditions precedent".

Conditions precedent

The consideration is payable by the Purchaser to the Vendor for the Disposal upon fulfilment of all of the following conditions precedent:

- (a) the Target Company entering into a letter of undertaking in relation to the Disposal; and
- (b) the existing shareholders of the Target Company having agreed in writing to waive their rights of first refusal as to the Sale Equity as prescribed in the PRC laws and the articles of association of the Target Company.

Completion

Within 30 days from the date of the Equity Transfer Agreement, the Vendor shall provide the Purchaser with documents in relation to the following:

- (a) the Disposal having been approved at the board meeting of the Target Company; and
- (b) the articles of association of the Target Company having been amended with regards to the transfer of the Sale Equity to the satisfaction of the Vendor.

If the Vendor is unable to provide the above documents to the Purchaser within 30 days from the date of the Equity Transfer Agreement, the Vendor shall compensate the Purchaser for all corresponding losses generated as a result.

Special conditions

Grant of Call Option and Put Option

- (a) The Vendor may exercise the Call Option during the period in which the Sale Equity is held by the Purchaser to buy back the Sale Equity alongside its income rights at an amount equivalent to the sum of (i) the consideration payable for the Disposal and (ii) the yields calculated at an annualised internal rate of return of 12%.
- (b) After 12 months and within 48 months from the date in which the Sale Equity is transferred to the Purchaser, the Purchaser may exercise the Put Option to require the Vendor to buy back the Sale Equity at an amount equivalent to the sum of (i) the consideration payable for the Disposal; and (ii) the yields calculated at an annualized rate of return on buy-back of 9%.
- (c) Within the buy-back periods in relation to the Call Option or the Put Option, as set out in paragraphs (a) and (b) above, if the buy-back of the Sale Equity requested by one party is not completed within 30 days from the date when such buy-back request has been made due to the uncooperativeness of the other party, the defaulting party shall pay a daily default interest calculated at 0.05% of the buy-back price as stipulated in paragraphs (a) and (b) above for every day in which the buy-back is delayed.

Notwithstanding the grant of Put Option as stated in paragraph (b) above, after the Purchaser has held the Sale Equity for more than 12 months, the Purchaser shall have the right to transfer the Sale Equity to a third party at the consideration equivalent to the sum of (i) the consideration payable for the Disposal; and (ii) the yields calculated at an annualized rate of return of no less than 9%.

- (d) The Vendor agreed that, in the event of the exercise of the Put Option by the Purchaser to buy back the Sale Equity, the Vendor shall procure the other shareholders of the Target Company to waive their rights of first refusal in respect of the Sale Equity if such a request is made by the Purchaser.
- (e) At the time of the buy-back of the Sale Equity by the Vendor, if the Purchaser has received any dividend or amount of capital reduction from the Target Company during the period when the Purchaser owns the Sale Equity, the Purchaser shall deduct from the buy-back price payable by the Vendor the amounts of dividend and capital reduction that the Purchaser has received.
- (f) During the period when the Purchaser owns the Sale Equity, as the Target Company is obliged to make distributions to all its shareholders before 31 December of each year (including but not limited to the distribution of profits, reduction of capital and other arrangements), the parties shall facilitate such distributions accordingly.

For the avoidance of doubt, the Company has no discretion in the exercising of the Put Option.

Capital reduction

Prior to the date of the Equity Transfer Agreement, a resolution on reduction of share capital was passed at the shareholders' meeting of the Target Company, and the procedures for capital reduction are currently underway.

The Vendor agrees that after the date of the Equity Transfer Agreement, it shall pay to the Purchaser an amount representing 17% of the entire payment to be received from such capital reduction by shareholders of the Target Company, out of the amount it actually receives subsequent to the capital reduction procedure. The Vendor shall assist the Purchaser in completing the relevant procedures as required.

Shareholder loans

In relation to the shareholder loans of the Target Company, the Purchaser agreed that all sums received by the Target Company before 1 January 2019 shall be used to first repay the shareholder's loans owed by the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is directly owned as to 27.44% by the Vendor. The Target Company currently owns a photovoltaic power station with an installed capacity of 3.8MW (via Zhonghui Company, a wholly-owned subsidiary of the Target Company) and owns a photovoltaic power station with an installed capacity of 20MW.

The summary of the financial information of the Target Company for the years ended 31 December 2017 and 2018 is set out below:

	For the year ended 31 December 2017 <i>RMB'million</i>	For the year ended 31 December 2018 <i>RMB'million</i>
Profit before taxation	51	43
Profit after taxation	43	35

The unaudited net asset value of the Target Company as at 30 April 2019 was approximately RMB196 million.

INFORMATION ON THE COMPANY, THE VENDOR AND THE PURCHASER

The Company is an investment holding company and the Group is principally engaged in the development, operation and management of renewable power plants.

The Vendor is a wholly-owned subsidiary of the Company which holds and manages investments in the PRC.

The Purchaser is a limited partnership established in the PRC, which focuses on equity investment, investment management and provision of investment advisory services.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is estimated that the Company would recognise a gain of approximately RMB12 million from the Disposal (subject to audit) being the difference between (i) the consideration for the Disposal, (ii) the unaudited total net asset value of the Target Company as recorded in the Group's financial statements as at the date of completion; and (iii) the estimated expenses to be incurred from the Disposal. However, the calculations are only estimates provided for illustrative purposes. Shareholders should note that the actual amount of gain on the Disposal to be recorded by the Company will be subject to review by the auditors of the Company.

It is intended that the net proceeds will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal will help the Company optimise its asset structure, particularly the investments in equity interests of associates, and focus on the core business carried out by its subsidiaries.

In view of the above, the Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Each of Mr. Lu Zhenwei and Ms. Zhong Hui is an executive Director. Mr. Lu Zhenwei is a director of CMNEG whilst Ms. Zhong Hui is managing director of Shenzhen City China Merchants Huihe Equity Investment Fund Management Company Limited* (深圳市招商慧合股權投資基金管理有限公司), an indirect wholly-owned subsidiary of China Merchants Group Limited (招商局集團有限公司). Both Mr. Lu Zhenwei and Ms. Zhong Hui have abstained from voting at the Board meeting to approve the Equity Transfer Agreement.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Aggregated Transactions”	the Previous Transaction and the Equity Transfer Agreement together
“Board”	the board of Directors
“Call Option”	the rights of the Vendor to acquire from the Purchaser, and to require the Purchaser to sell, the Sale Equity pursuant to the Equity Transfer Agreement
“CMNEG”	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect subsidiary of China Merchants Group Limited (招商局集團有限公司), and, together with its holding company, a substantial shareholder of the Company
“Company”	Panda Green Energy Group Limited (熊貓綠色能源集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Equity in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into on 5 July 2019 between the Vendor and the Purchaser in respect of the Disposal

“Group”	the Company and its subsidiaries
“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”	megawatts, which is equal to 1,000,000 watt
“Previous Announcement”	the connected transaction announcement made by the Company on 22 March 2019 in relation to the Previous Transaction
“Previous Transaction”	the equity transfer agreement entered into by the Vendor, State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP) and the Target Company on 22 March 2019 in relation to the disposal of the Vendor’s 17% equity interest in the Target Company (details of which are disclosed in the Previous Announcement)
“Purchaser”	張家港市招港股權投資合夥企業（有限合夥）(transliterated as Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)), an entity established in the PRC, details of which are disclosed in the section headed “Information on the Company, the Vendor and the Purchaser” in this announcement
“Put Option”	the right of the Purchaser to sell to the Vendor, and require the Vendor to acquire, the Sale Equity pursuant to the Equity Transfer Agreement
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the 17% equity interest in the Target Company as contemplated under the Equity Transfer Agreement
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司), a company established in the PRC with limited liability which is currently owned by the Vendor as to 27.44%
“UP (Shenzhen)”	United Photovoltaics (Shenzhen) Co., Ltd.* (聯合光伏(深圳)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Vendor”	United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhonghui Company”	Fengxian Zhonghui Photovoltaic Energy Co., Ltd.* (豐縣中暉光伏能源有限公司), a company established in the PRC with limited liability and the wholly-owned subsidiary of the Target Company
“%”	per cent.

For and on behalf of
Panda Green Energy Group Limited
Lu Zhenwei
Chairman of the Board

Hong Kong, 5 July 2019

As at the date of this announcement, the executive directors of the Company are Mr. Lu Zhenwei (Chairman), Ms. Zhong Hui (Chief Executive Officer), Mr. Chen Qinglong and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Yu Qiuming, Mr. Li Hao, Ms. Xie Yi and Mr. Wang Heng; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng.

* for identification purpose only