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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Concord New Energy Group Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 AND CONNECTED TRANSACTIONS FINANCE LEASE ARRANGEMENTS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to Independent Board Committee and  
Independent Shareholders**



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Terms defined in the section headed “Definitions” in this circular shall have the same meaning when used in this cover page, unless the context otherwise requires.

SGM of the Company will be held at 10:00 a.m. on Wednesday, 24 November 2021 at Suite 3901, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

A notice convening the SGM and a form of proxy for use by the Shareholders at the SGM are enclosed. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event no later than 48 hours before the appointed time for holding of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish.

#### PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the SGM, including:

- compulsory temperature checks
- compulsory wearing of surgical face masks
- no refreshments will be served

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxies to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM.

\* For identification purposes only

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## PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue.
- (ii) All attendees may be asked whether he/she (a) has travelled outside of Hong Kong within the 14-day period immediately before the SGM; and (b) is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions will be denied entry into the meeting venue. We will also report to relevant authorities for the breach of quarantine required.
- (iii) The Company requires attendees to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats.
- (iv) No refreshments will be served.

To the extent permitted by law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety and consistent with the COVID-19 guidelines issued by the Government of Hong Kong (available at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)), the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxies to vote on the relevant resolution(s) at the SGM instead of attending the SGM in person.

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## DEFINITIONS

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*In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:*

“Applicable Percentage Ratio”, “connected person” and “subsidiary”	have the meanings ascribed to them under the Listing Rules;
“Auxiliary Facilities”	certain installations, constructions, foundations and auxiliary facilities for the operation of the Power Plant to be purchased by the Financier from the Lessee under the Finance Lease Agreement II;
“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 Supply Agreement;
“Finance Lease Agreement I”	the finance lease agreement between the Lessee and the Financier dated 29 September 2021 for the leasing of the Equipment to the Lessee from the Financier;
“Finance Lease Agreement II”	the finance lease agreement between the Lessee and the Financier dated 29 September 2021 for the sale of the Auxiliary Facilities by the Lessee to the Financier and the leasing of the Auxiliary Facilities back to the Lessee from the Financier;
“Finance Lease Arrangement I”	the transactions contemplated under the Supply Agreement and the Finance Lease Agreement I;
“Finance Lease Arrangement II”	the transactions contemplated under the Finance Lease Agreement II;

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## DEFINITIONS

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“Finance Lease Arrangements”	the Finance Lease Arrangement I and the Finance Lease Arrangement II, and a “Finance Lease Arrangement” means either one of them;
“Finance Period I”	the 144-month period, in which the Lessee shall lease the Equipment from the Financier;
“Finance Period II”	the 96-month period, in which the Lessee shall lease the Auxiliary Facilities from the Financier;
“Financier”	Huadian Finance Lease Co., Ltd.* (華電融資租賃有限公司), a company established in the PRC with limited liability;
“Group”	the Company and its subsidiaries;
“Gansu Huasheng”	Gansu Huasheng New Energy Science and Technology Co., Ltd.* (甘肅華盛新能源科技有限公司), a company established in the PRC with limited liability and 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;
“Huadian Fuxin”	Huadian Fuxin Energy Corporation Limited* (華電福新能源有限公司), a company established in the PRC with limited liability;
“Huadian Corporation”	China Huadian Corporation Ltd.* (中國華電集團有限公司), a company established in the PRC with limited liability;
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders in relation to the Finance Lease Arrangements;
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and appointed as an independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Finance Lease Arrangements;
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Finance Lease Arrangements;

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## DEFINITIONS

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“Latest Practicable Date”	2 November 2021, the latest practicable date before the printing of this circular for ascertaining certain information contained herein;
“Lease Payment(s)”	the quarterly payment(s) payable by the Lessee to the Financier under the Finance Lease Agreement I during the Finance Period I or under the Finance Lease Agreement II during the Finance Period II in consideration of the Financier leasing the Equipment or the Auxiliary Facilities to the Lessee respectively;
“Lessee”	Guazhou Taihe Wind Power Co., Ltd.* (瓜州泰合風力發電有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“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 100MW wind power plant project, being phase I of the 200MW wind power plant, situated in Jiuquan City, Gansu Province, the PRC (中國甘肅省酒泉市);
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Project”	the project undertaken by the Lessee in respect of the Equipment and the Auxiliary Facilities;
“Purchase Price I”	the purchase price payable to the Seller by the Financier for the purchase of the Equipment;
“Purchase Price II”	the purchase price payable to the Lessee by the Financier for the purchase of the Auxiliary Facilities;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會);

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## DEFINITIONS

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“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;
“SFO”	Securities and Futures Ordinance (CAP. 571 of the laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on Wednesday, 24 November 2021 at Suite 3901, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the Finance Lease Arrangements;
“Share(s)”	ordinary share of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Agreement”	the supply agreement between the Seller, the Lessee and the Financier dated 29 September 2021 for the purchase of the Equipment from the Seller by the Financier; and
“%”	per cent.

*For the purposes of this circular, 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 any representations that any amount in HK\$ or RMB has been, could have been or may be converted at such rate.*

*\* For identification purposes only*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Liu Shunxing (*Chairman*)  
Ms. Liu Jianhong (*Vice Chairperson*)  
Mr. Gui Kai (*Chief Executive Officer*)  
Mr. Niu Wenhui  
Mr. Zhai Feng  
Ms. Shang Jia

*Non-executive Director:*

Mr. Wang Feng

*Independent non-executive Directors:*

Mr. Yap Fat Suan, Henry  
Dr. Jesse Zhixi Fang  
Ms. Huang Jian  
Mr. Zhang Zhong

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Suite 3901, 39th Floor  
Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

8 November 2021

*To the Shareholders:*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
FINANCE LEASE ARRANGEMENTS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

#### INTRODUCTION

Reference is made to the announcement of the Company dated 29 September 2021 in relation to the Finance Lease Arrangements between the Seller, the Lessee and the Financier. The purposes of this circular is to provide you with: (a) further information on the Finance Lease Arrangements; (b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Finance Lease Arrangements; (c) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Arrangements; and (d) the notice of the SGM.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The Board is pleased to announce that after trading hours on 29 September 2021, (i) the Seller, the Lessee and the Financier agreed on the Finance Lease Arrangement I and (ii) the Lessee and the Financier agreed on the Finance Lease Arrangement II, by way of entering into the following agreements. Details of the Finance Lease Arrangements are set out below.

### FINANCE LEASE ARRANGEMENT I

#### Supply Agreement

Date:	29 September 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 Supply Agreement.
Subject asset:	The Equipment, which shall be purchased by the Financier from the Seller.
Purchase price and completion:	<p>The Purchase Price I payable by the Financier to the Seller for the purchase of the Equipment shall be approximately RMB369.92 million (approximately HK\$445.69 million), which was determined after arm's length negotiation between the Lessee and the Financier with reference to the market value of the Equipment. As at the date of this circular, the Equipment has not been fully acquired by the Seller. The original acquisition cost of the Equipment to the Group is expected to be approximately RMB365.08 million.</p> <p>The Purchase Price I to be paid to the Seller (being the total amount to be borrowed by the Lessee under the Finance Lease Arrangement I) is equal to the original purchase price of the Equipment of approximately RMB365.08 million plus the management cost of approximately RMB4.84 million of the Seller 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 management cost of the Seller was determined based on the operating cost of the Seller allocated to the Equipment in</p>

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## LETTER FROM THE BOARD

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accordance with the internal accounting policy of the Group. The said internal accounting policy has been consistently applied by the Group for cost allocation amongst wholly-owned subsidiaries and within each wholly-owned subsidiary in respect of projects undertaken by such subsidiary.

The Purchase Price I is expected to be paid by 3 instalments (comprising 1st instalment of approximately RMB221.95 million, 2nd instalment of approximately RMB110.98 million and 3rd instalment of approximately RMB36.99 million). Each instalment of the Purchase Price I shall be payable after the fulfilment of the following conditions:

- (a) the Finance Lease Agreement I having been executed by all parties thereto;
- (b) all the security documents relating to the Finance Lease Agreement I having been executed and all the relevant procedures for the Security Documents having been completed;
- (c) the Financier having received all governmental approvals in relation to the Project;
- (d) the Financier having received the consultancy fee and security deposit for the Finance Lease Arrangement I;
- (e) there being no breaches of any provisions of the Supply Agreement and the Finance Lease Agreement I by the Seller or the Lessee;
- (f) there being no material adverse change to the Lessee, the Seller, the guarantor and the Equipment;
- (g) all representing and warranties made by the Lessee and the Seller under the Supply Agreement and the Finance Lease Agreement I being true, complete and not materially misleading;
- (h) there being no material changes to the fiscal and financial policies, and the market financing cost not having been increased significantly;
- (i) the fund having been contributed by the shareholder of the Lessee in respect of the Project being not less than 20% of the total investment of the Project; and

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## LETTER FROM THE BOARD

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- (j) all other conditions or relevant procedures as required by the Financier or the Supply Agreement having been satisfied or performed.

It is expected that the 1st instalment, 2nd instalment and 3rd instalment of the Purchase Price I will be paid around 15 December 2021, 15 January 2022 and April 2022 respectively.

### Finance Lease Agreement I

- Date: 29 September 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 I: A period of 144 months commencing from the date of payment of first instalment of the Purchase Price I
- Lease payments and interest rate: The Lessee shall pay quarterly Lease Payments to the Financier during the Finance Period I. The total Lease Payments represents the Purchase Price I paid by the Financier for the purchase of the Equipment plus interest attributable to the Finance Lease Arrangement I to be determined based on the following applicable interest rate.

The applicable interest rate is a floating interest rate equal to the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%. The relevant LPR for the first Lease Payment is the LPR announced on 20 August 2021, being 4.65%, which gives rise to an applicable interest rate of 5.15% for the first Lease Payment. The applicable interest rate will be adjusted annually on 1st January in each calendar year, which will, after adjustment, equal to the higher of (i) 5.15% and (ii) the latest LPR announced before the relevant 1st January plus 0.5%. Assuming the applicable interest rate was 5.15% throughout the Finance Period I, the total Lease Payments would be approximately RMB508.63 million (approximately HK\$612.81 million).

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## LETTER FROM THE BOARD

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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 I, the Lessee and certain wholly-owned subsidiaries of the Company (namely Century Concord Wind Power and Gansu Huasheng) shall, in favour of the Financier, execute the security documents (the "Security Documents") consisting of (i) the guarantees given by the Company and Century Concord Wind Power respectively; (ii) the mortgages given by the Lessee in respect of Equipment, the Auxiliary Facilities and the land use rights in respect of the land on which the Power Plant is situated respectively; (iii) the pledge given by Gansu Huasheng in respect of its entire shareholding interest in the Lessee; and (iv) the pledge given by the Lessee in respect of its electricity incomes arising from the operation of the Power Plant.

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

Consultancy fee:

The Lessee shall pay to the Financier a consultancy fee of approximately RMB7.40 million, representing 2% of the Purchase Price I, which shall be paid before the payment of the Purchase Price I. The consultancy fee was determined after arm's length negotiation between the parties with reference to the prevailing market rates of handling fees (which ranged from 0% to 5%). As the Financier does not charge any handling fee for the Finance Lease Arrangement I, the Group considers that the payment of the consultancy fee can be viewed as a substitution for the payment of a handling fee by the Lessee to the Financier, and that the market rates of handling fees are thus applicable for the determination of that consultancy fee. The consultancy fee of 2% of the Purchase Price I falls within the said range. Hence, the Group considers that the amount of the consultancy fee is fair and reasonable.

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## LETTER FROM THE BOARD

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- Security deposit:** To secure the due performance of the Lessee's obligations under the Finance Lease Agreement I, a security deposit equal to 3% of each instalment payment of the Purchase Price I shall be paid by the Lessee to the Financier before the payment of such instalment of the Purchase Price I. The total amount of the security deposit is approximately RMB11.10 million. The security deposit was determined after arm's length negotiation between the parties with reference to the prevailing market rates of security deposits (which ranged from 0% to 5%). The security deposit of 3% of the Purchase Price I falls within the said range. Hence, the Group considers that the amount of the security deposit is fair and reasonable.
- Buyback option:** Upon the expiry of the Finance Period I, the Lessee has the option to buy back the Equipment from the Financier at a consideration of RMB1.

### FINANCE LEASE ARRANGEMENT II

#### Finance Lease Agreement II

- Date:** 29 September 2021
- 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 purchased by the Financier from the Lessee for the purposes of leasing the Auxiliary Facilities back to the Lessee from the Financier.
- Purchase price:** The Purchase Price II payable by the Financier to the Lessee for the purchase of the Auxiliary Facilities is an amount equal to the lower of (i) 80% of the total investment of the Project minus the Purchase Price I; and (ii) RMB70 million (approximately HK\$84.34 million), which was determined after arm's length negotiation between the Lessee and the Financier with reference to the total original sub-contract prices for the acquisition and construction of the Auxiliary Facilities and the amount of financing needs required by the Group.

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## LETTER FROM THE BOARD

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The Group understands that for finance lease arrangement for projects under construction, a financier is generally unwilling to lend money to a borrower under finance lease arrangement for auxiliary facilities and their related equipment of a power plant project for an amount representing more than 80% of the total investment for that power plant project due to the uncertainty of the amount of total investment to be actually incurred for the completion of the construction for that power plant project. The Group estimated that (a) the total investment of the Project would be not more than approximately RMB550 million, 80% of which would be not more than approximately RMB440 million; and that the result of the 80% of the said total investment deducting the Price Price I of approximately RMB369.92 million would be not more than approximately RMB70.08 million. Hence, the Financier had requested, and the Group had accepted after arm's length negotiation with the Financier, that the Purchase Price II shall be the lower of the two amounts mentioned above. Hence, the Group considers that the amount of the Purchase Price II is fair and reasonable.

The total investment amount represents the sum of costs of equipment (including the Equipment), construction and installation costs, interests cost during the construction period of the project, and other expenses (including cost for the construction land use, management cost for the construction, project preparatory cost, design cost and etc.). The total investment of the Project will be determined in accordance with the project completion report expectedly to be prepared around April 2022 by an independent engineering consulting firm to be appointed by the Lessee after the completion of the construction of the Power Plant, which is an independent third party. As at the date of this circular, the Auxiliary Facilities have been partially acquired and constructed by the Lessee. The total original sub-contract purchase prices of the Auxiliary Facilities, representing the original acquisition cost to the Group, is approximately RMB70.51 million.

The Purchase Price II shall be payable within 15 working days after the fulfilment of the following conditions:

- (a) all the Security Documents relating to the Finance Lease Agreement II having been executed and all the relevant procedures for the Security Documents having been completed;

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## LETTER FROM THE BOARD

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- (b) the Financier having received from the Lessee all the governmental approval documents in relation to the Project;
- (c) the Financier having received the relevant consultancy fees and the security deposits under the Finance Lease Arrangement II;
- (d) there being no breaches of any provisions of the Finance Lease Agreement II by the Lessee;
- (e) there being no material adverse change to the Lessee, the guarantor and the Auxiliary Facilities;
- (f) there being no material changes to the fiscal and financial policies, and the market financing cost not having been increased significantly;
- (g) the full capacity of the Power Plant having been connected to the electricity grid;
- (h) the fund having been contributed by the shareholder of the Lessee in respect of the Project being not less than 20% of the total investment of the Project; and
- (i) all other conditions or relevant procedures as required by the Financier or the Finance Lease Agreement II having been satisfied or performed.

It is expected that the Purchase Price II will be paid around the end of April 2022.

Finance Period II:

A period of 96 months commencing from the date of the payment of the Purchase Price II.

Lease payments and interest rate:

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

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## LETTER FROM THE BOARD

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The applicable interest rate is a floating interest rate equal to the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%. The relevant LPR for the first Lease Payment is the LPR announced on 20 August 2021, being 4.65%, which gives rise to an applicable interest rate of 5.15% for the first Lease Payment. The applicable interest rate will be adjusted annually on 1st January in each calendar year, which will, after adjustment, equal to the higher of (i) 5.15% and (ii) the latest LPR announced before the relevant 1st January plus 0.5%. Assuming the Purchase Price II being RMB70 million and the applicable interest rate was 5.15% throughout the Finance Period II, the total Lease Payments would be approximately RMB87.72 million (approximately HK\$105.69 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 buildings and auxiliary facilities finance leases.

### Security documents:

As security for the due performance of all the Lessee's obligations under the Finance Lease Agreement II, the Lessee, the Company, Century Concord Wind Power and Gansu Huasheng shall, in favour of the Financier, execute the Security Documents mentioned above under the paragraph headed "Finance Lease Agreement I – Security documents" in this circular.

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

### Consultancy fee:

The Lessee shall pay to the Financier a consultancy fee of 2% of the Purchase Price II, which shall be paid before the payment of the Purchase Price II and will, if the Purchase Price II being RMB70 million, be RMB1.4 million. The consultancy fee was determined after arm's length negotiation between the parties with reference to the prevailing market rates of handling fees (which ranged from 0% to 5%). As the Financier does not charge any handling fee for the Finance Lease Arrangement II, the Group considers that the payment of the consultancy fee can be viewed as a substitution for the payment of a handling fee by the Lessee to the Financier, and that the market rates of handling fees are thus applicable for the determination of that consultancy fee. The consultancy fee of 2% of the Purchase Price II falls within the said range. Hence, the Group considers that the amount of the consultancy fee is fair and reasonable.

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## LETTER FROM THE BOARD

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Security deposit:

An amount equal to 4.5% of the Purchase Price II (which will be RMB3.15 million if the Purchase Price II is RMB70 million), shall be paid by the Lessee to the Financier before payment of the Purchase Price II as deposit to secure the due performance of the Lessee's obligations under the Finance Lease Agreement II. The security deposit was determined after arm's length negotiation between the parties with reference to the prevailing market rates of security deposits (which ranged from 0% to 5%). The security deposit of 4.5% of the Purchase Price II falls within the said range. The Lessee had evaluated the difference between the rate of the security deposit of the Finance Lease Agreement I and the rate of the security deposit of the Finance Lease Agreement II. The security deposit of the Finance Lease Agreement II was requested by the Financier because the security deposit for a Finance Lease Arrangement is required to be more than its Lease Payment. The aforesaid security deposits of the Finance Lease Arrangement I and the Finance Lease Arrangement II of approximately RMB11.10 million and RMB3.15 million respectively are higher than their respective quarterly Lease Payments of approximately RMB11.06 million and RMB3.00 million (comprising repayment of principal and interest and assuming the same applicable interest rate of 5.15%) respectively. As a result, the rate of security deposit for the Finance Lease Arrangement II compared to its purchase price is higher than that for the Finance Lease Arrangement I. After the negotiation between the Financier and the Lessee, the security deposit was accepted by the Lessee because the Lessee considered that the security deposit of the Finance Lease Agreements was part of the overall costs of the Finance Lease Agreements and the average rate of the security deposit of the Finance Lease Agreements was also within the said range. Hence, the Group considers that the amount of the security deposit is fair and reasonable.

Buyback option:

Upon the expiry of the Finance Period II, the Lessee has the option to buy back the Auxiliary Facilities from the Financier at a consideration of RMB1.

### CONDITION PRECEDENT

Each of the Finance Lease Arrangements shall not take effect until the obtaining of the approvals by the Independent Shareholders at the SGM. If the Independent Shareholders do not approve any Finance Lease Arrangement at the SGM, such Finance Lease Arrangement will not have any legal effect. The Finance Lease Arrangement I and the Finance Lease Arrangement II are not inter-conditional. Hence, if any of the Finance Lease Arrangement fails to become unconditional, the other Finance Lease Arrangement may still be proceeded with if such Finance Lease Arrangement is able to become unconditional.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFIT OF THE FINANCE LEASE ARRANGEMENTS

The entering into the Finance Lease Arrangements 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, buildings and auxiliary facilities as required for its operations. The Directors (including the independent non-executive Directors, whose opinion is set out in the “Letter from the Independent Board Committee” reproduced in Appendix I in this circular but excluding Mr. Wang Feng, who is a Director nominated by Huadian Fuxin abstained from voting at the meeting of the Board due to conflict of interest) consider that the terms of the Finance Lease Arrangements 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 Arrangements will not give rise to any disposal gain or loss to be recorded by the Group.

Before entering into the Finance Lease Arrangements, the Group had obtained proposals from the Financier as well as two independent third party financiers for the proposed finance lease arrangements for the Equipment and the Auxiliary Facilities. The principal terms of the proposals included the attributable interest rate, term of the lease and handling fee/consultancy fee. The Group had found that the proposal from the Financier was more favourable than the other proposals. Before entering into the Finance Lease Arrangements, the Group had also reached out to two banks to try to obtain finance in respect of the Equipment and the Auxiliary Facilities. The Group had noted that in respect of finance lease arrangement for projects under construction as in the case of the Power Plant, banks generally required much longer approval time and imposed much onerous terms. For instance, the said two banks required approval time of more than 6 months (compared to 2 to 3 months in the case of non-bank financiers), and draw down of finance is not possible prior to gird-connection of the full capacity of the Power Plant (compared to draw down is possible prior to gird-connection of the full capacity of the Power Plant in the case of non-bank financiers). The Power Plant was not able to fulfil the said terms of the banks. Hence, the Group had decided not to obtain finance from bank in of the Equipment and the Auxiliary Facilities.

### INTENDED USE OF PROCEEDS

It is expected that the Company will generate a total net disposal proceeds under the Finance Lease Arrangements of an amount no more than RMB431.12 million (approximately HK\$519.42 million), which will be used for the construction of the Power Plant.

### INFORMATION OF THE PARTIES TO THE FINANCE LEASE ARRANGEMENTS

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 operation of wind power generation projects in the PRC.

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## LETTER FROM THE BOARD

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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 ultimately owned as to approximately 85% by SASAC, among which 80% is held by Huadian Corporation (which is in turn wholly owned by SASAC).

### LISTING RULES IMPLICATIONS

As at the date of the announcement and the Latest Practicable Date, Huadian Fuxin indirectly held an approximately 10.3% of the entire issued ordinary share capital of the Company and was a connected person of the Company. As at the date of the announcement and the Latest Practicable Date, Huadian Corporation indirectly held a 100% interest in Huadian Fuxin and approximately 80.0% interest in the Financier. Hence, the Financier is a connected person of the Company. The highest Applicable Percentage Ratio for the Finance Lease Arrangements on an aggregate basis exceeds 5% but is less than 25%. Hence, the Finance Lease Arrangements constitute discloseable and connected transactions for the Company subject to the notification and publication requirements under Chapter 14 of the Listing Rules, and the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Huadian Fuxin indirectly held 880,000,000 Shares, representing approximately 10.3% of the entire issued ordinary share capital of the Company. Save for Huadian Fuxin, none of its close associates control or are entitled to exercise control over the voting rights in respect of any Shares. There are no voting trusts or other agreements or arrangements or understandings or obligations or entitlements whereby Huadian Fuxin has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis. Huadian Fuxin and its close associates will be required to abstain from voting on the shareholders' resolutions in relation to the Finance Lease Arrangements.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders had any material interests in the Finance Lease Arrangements, and therefore no other Shareholders were required to abstain from voting on the resolutions approving the Finance Lease Arrangements at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Finance Lease Arrangements. Maxa Capital has been appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the same.

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## LETTER FROM THE BOARD

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### SPECIAL GENERAL MEETING

The SGM will be held at 10:00 a.m. on Wednesday, 24 November 2021 at Suite 3901, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purposes of considering and, if thought fit, approving, the Finance Lease Arrangements. A notice convening the SGM and a form of proxy for use at the SGM are enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so desire.

In compliance with the Listing Rules, the resolutions put to vote at the SGM will be decided by way of poll.

### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Finance Lease Arrangements are fair and reasonable, and that the Finance Lease Arrangements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions in relation to the Finance Lease Arrangements to be proposed at the SGM. The text of the letter from the Independent Board Committee is set out on pages I-1 and I-2 of this circular, and the text of the letter from the Independent Financial Adviser is set out on pages II-1 to II-21 of this circular.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out elsewhere in this circular and in the appendices in it.

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

**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)**

8 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
FINANCE LEASE ARRANGEMENTS**

We refer to the circular dated 8 November 2021 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the Finance Lease Arrangements are fair and reasonable, and whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of the Independent Financial Adviser appointed to advise us.

Maxa Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in the above-mentioned context. Your attention is drawn to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” in the Circular, which contain, among other things, information about the Finance Lease Arrangements and the advice from the Independent Financial Adviser on the Finance Lease Arrangements.

Having taking into account the reasons for and benefits of the Finance Lease Arrangements, the principal factors and reasons considered by the Independent Financial Adviser in arriving at its opinion regarding such transactions as set out in the “Letter from the Independent Financial Adviser” on pages II-1 to II-21 of the Circular, we consider that the terms of the Finance Lease Arrangements are fair and reasonable, and are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

\* *For identification purposes only*

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**APPENDIX I      LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend that the Independent Shareholders vote in favour of all the ordinary resolutions as set out in the notice of SGM to be held on Wednesday, 24 November 2021 and thereby approve the Finance Lease Arrangements.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Mr. Yap Fat Suan, Henry**  
*Independent*  
*Non-executive Director*

**Dr. Jesse Zhixi Fang**  
*Independent*  
*Non-executive Director*

**Ms. Huang Jian**  
*Independent*  
*Non-executive Director*

**Mr. Zhang Zhong**  
*Independent*  
*Non-executive Director*

*The following is the full text of the letter from Maxa Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 1908, Harbour Center  
25 Harbour Road  
Wan Chai  
Hong Kong

8 November 2021

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
FINANCE LEASE ARRANGEMENTS**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Finance Lease Arrangement I and Finance Lease Arrangement II and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 November 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 29 September 2021 (after trading hours), the Seller, the Lessee and the Financier agreed on the Financial Lease Arrangement I by way of entering into the following agreement: (i) the Seller, the Lessee and the Financier entered into the Supply Agreement, pursuant to which the Financier shall purchase the Equipment from the Seller at a purchase price of approximately RMB369.92 million for the purposes of leasing the Equipment to the Lessee; and (ii) the Lessee and the Financier entered into the Finance Lease Agreement I, pursuant to which the Lessee shall lease the Equipment from the Financier for the Financial Period I in consideration of the Lessee paying to the Financier the quarterly Lease Payments; and the Lessee and the Financier agreed on the Finance Lease Arrangement II by way of entering into the Finance Lease Agreement II, pursuant to which (i) the Financier shall purchase the Auxiliary Facilities from the Lessee at the Purchase Price II, which is not more than RMB70 million, for the purposes of leasing the Auxiliary Facilities to the Lessee; and (ii) the Lessee shall lease the Auxiliary Facilities from the Financier for the Financial Period II in consideration of the Lessee paying to the Financier the quarterly Lease Payments.

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## **APPENDIX II      LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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As at the Latest Practicable Date, Huadian Fuxin indirectly holds approximately 10.3% of the entire issued ordinary share capital of the Company and is a connected person of the Company. Huadian Corporation indirectly held a 100% interest in Huadian Fuxin and approximately 80.0% interest in the Financier. Hence, the Financier is a connected person of the Company. The highest Applicable Percentage Ratio for the Finance Lease Arrangements on an aggregate basis exceeds 5% but is less than 25%. Hence, the Finance Lease Arrangements constitute discloseable and connected transactions for the Company subject to the notification and publication requirements under Chapter 14 of the Listing Rules, and the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Finance Lease Arrangements, whether the connected transactions contemplated under the Finance Lease Arrangements are (i) on normal commercial terms or better and in the ordinary and usual course of business of the Company; and (ii) in the interests of the Company and its shareholders as a whole. We, Maxa Capital, has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the same.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated or connected with the Company, the Lessee, the Financier or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and, accordingly, are considered eligible to give independent advice on the Finance Lease Arrangements. Save for this appointment as the Independent Financial Adviser, there was no other engagement between the Company and us in the last two years. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we will receive any fees or benefits from the Company, the Lessee, the Financier or their respective substantial shareholders or associates.

### **BASIS OF OUR OPINION**

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. The Company is required to notify Shareholders of any material changes to information contained in the Circular as soon as possible subsequent to its despatch and prior to the SGM. If we become aware of any such material change, we will notify the Shareholders accordingly and of the potential impact on our recommendation set out in this letter as soon as possible. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or the prospects of the Company, the Lessee, the Financier or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

#### **1.      Background information of the Group**

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.

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## APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the financial information of the Group for the two years ended 31 December 2020 and for the six months period ended 30 June 2020 and 2021 respectively prepared in accordance with Hong Kong Financial Reporting Standards and extracted from the Company's 2020 Annual Report and 2021 Interim Report:

	For the year ended 31 December		For the six months ended 30 June	
	2020 <i>RMB'000</i> (audited)	2019 <i>RMB'000</i> (audited)	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Revenue	2,000,754	1,835,922	970,259	999,540
Profit for the year/period	684,208	613,119	416,671	381,570
			As at 31 December 2020 (audited) <i>RMB'000</i>	As at 30 June 2021 (unaudited) <i>RMB'000</i>
Total assets		19,528,281	19,892,437	20,084,311
Total liabilities		13,033,779	13,923,236	13,377,340
Total equity		6,494,502	5,969,201	6,706,971

As illustrated in the above table, the Group's revenue amounted to approximately RMB2,000.75 million for the year ended 31 December 2020 ("FY2020"), representing an increase of approximately 8.98% as compared to approximately RMB1,835.92 million for the year ended 31 December 2019 ("FY2019"), which was primarily benefited from the improved asset quality of power plants and the increased installed capacities. The Group's profit for the year was approximately RMB684.21 million in FY2020, representing an increase of approximately 11.59% compared with that in FY2019, which was mainly contributed by the increase of profit from power generation.

The Group's total assets decreased by approximately 1.83% from approximately RMB19,892.44 million as at 31 December 2019 to approximately RMB19,528.28 million as at 31 December 2020. The total liabilities of the Group recorded a decrease of approximately 6.39% from approximately RMB13,923.24 million as at 31 December 2019 to approximately RMB13,033.78 million as at 31 December 2020. The total equity of the Group amounted approximately RMB6,494.50 million as at 31 December 2020, representing an increase of approximately 8.80% from approximately RMB5,969.20 million as at 31 December 2019. The increase in net assets is mainly due to the increase of cash and cash equivalents and finance lease receivables and the decrease of bank borrowings.

The Group's revenue amounted to approximately RMB970.26 million for the six months ended 30 June 2021, representing a decrease of approximately 2.93% as compared to approximately RMB999.54 million for the six months ended 30 June 2020. The Group's profit for the period was approximately RMB416.67 million for the six months ended 30 June 2021, representing an increase of approximately 9.20% compared with that for the six months ended 30 June 2020, which is primarily due to the increase of profit from power generation.

The Group's total assets increased by approximately 2.85% from approximately RMB19,528.28 million as at 31 December 2020 to approximately RMB20,084.31 million as at 30 June 2021. The total liabilities of the Group recorded an increase of approximately 2.64% from approximately RMB13,033.78 million as at 31 December 2020 to approximately RMB13,377.34 million as at 30 June 2021. The total equity of the Group amounted approximately RMB6,706.97 million as at 30 June 2021, representing an increase of approximately 3.27% from approximately RMB6,494.50 million as at 31 December 2020.

## **2. Background information of the Financier**

The Financier is a company established in the PRC, which is principally engaged in the business of financial leasing. Insofar as the Company is aware, the Financier is ultimately owned as to approximately 85% by SASAC, among which 80% is held by Huadian Corporation (which is in turn wholly owned by SASAC).

## **3. Background information of the Lessee and Seller**

The Lessee is 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.

## **4. Reasons for and benefits of the Finance Lease Agreements**

As set out in the Letter from the Board, the entering into the Finance Lease Arrangements 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, buildings and auxiliary facilities as required for its operations. The Directors consider that the terms of the Finance Lease Arrangements 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 Arrangements will not give rise to any disposal gain or loss to be recorded by the Group.

We have reviewed the 2021 Interim Report of the Company, and noted that during the six months ended 30 June 2021, the Group actively expanded new financing channels and maintained good communication and cooperation with various financial leasing companies to enhance the diversity and flexibility of financing method and leased certain of its plant and equipment under finance lease arrangement with a total withdraw value of approximately RMB1,691.89 million.

We have discussed with the Company and understood that before entering into the Finance Lease Arrangements, the Group had also reached out to two banks to try to obtain finance in respect of the Equipment and the Auxiliary Facilities. The Group had noted that in respect of finance lease arrangement for projects under construction as in the case of the Power Plant, banks required much longer approval time and imposed much onerous terms. For instance, the said two banks required approval time of more than 6 months (compared to 2 to 3 months in the case of non-bank financiers), and drawdown of finance is not possible prior to grid-connection of the full capacity of the Power Plant (while drawdown is possible prior to grid-connect of the full capacity of the Power Plant in the case of non-bank financier). The Power Plant was not able to fulfil the said terms of the banks. Hence, the Group decided not to obtain finance from bank in respect of the Equipment and the Auxiliary Facilities.

Before entering into the Finance Lease Arrangements, the Group had obtained proposals from the Financier as well as two independent third party financiers for the proposed finance lease arrangements for the Equipment and the Auxiliary Facilities. The principal terms of the proposals included the attributable interest rate, term of the lease, handling fee/consultancy fee and payment installments. The Group had found that the proposal from the Financier was more favourable than the other proposals. We have obtained and reviewed such two proposals from independent third party financiers in relation to the Equipment and the Auxiliary Facilities and compared the terms of the Finance Lease Arrangements with those offered by independent third party financiers. We noted that the terms, including the interest rate, lease term, purchase price, consultancy fee and guarantee, offered by such independent third party financiers are no more favourable than that of the Finance Lease Arrangements. We have also compared the terms of the terms of the Finance Lease Arrangements with those under previous finance lease arrangements entered into by the Group with independent third parties in 2021. We noted the terms of the Finance Lease Arrangements are in line with market practice and no less favourable than those provided by independent third parties. For our detailed analysis in this regard, please refer to the section headed “6. Assessment on the Principal Terms of the Finance Lease Arrangements” below. In addition, we have reviewed the credit rating report on the Financier from the website of China Foreign Exchange Trade System & National Interbank Funding Center (<http://116.236.198.44/nderste/zxpjbg/20210616/1985133.html?cp=pjgg>) and noted the Financier obtained a credit rating of AAA with a stable outlook from Golden Credit Rating International Co., Ltd. in June 2021 and we consider the Financier is a reputable financial leasing company to cooperate with.

Based on the above, we concur with the Directors' view that the entering into the Finance Lease Arrangements with the Financier is in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **5. Principal Terms of the Finance Lease Arrangements**

Each of the Finance Lease Arrangements shall not take effect until the obtaining of the approval by the Independent Shareholders at the SGM. If the Independent Shareholders do not approve any Finance Lease Arrangement the SGM, such Finance Lease Arrangement will not have any legal effect.

### **5.1 Finance Lease Arrangement I**

#### *5.1.1 Supply Agreement*

Date:	29 September 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 Supply Agreement.
Subject asset:	The Equipment, which shall be purchased by the Financier from the Seller.
Purchase price and completion:	The Purchase Price I payable by the Financier to the Seller for the purchase of the Equipment shall be approximately RMB369.92 million (approximately HK\$445.69 million), which was determined after arm's length negotiation between the Lessee and the Financier with reference to the market value of the Equipment. As

at the date of the Circular, the Equipment has not been fully acquired by the Seller. The original acquisition cost of the Equipment to the Group is expected to be approximately RMB365.08 million.

The Purchase Price I to be paid to the Seller (being the total amount to be borrowed by the Lessee under the Finance Lease Arrangement I) is equal to the original purchase price of the Equipment of approximately RMB365.08 million plus the management cost of approximately RMB4.84 million of the Seller 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 management cost of the Seller was determined based on the operating cost of the Seller allocated to the Equipment in accordance with the internal accounting policy of the Group. The said internal accounting policy has been consistently applied by the Group for cost allocation amongst wholly-owned subsidiaries and within each wholly-owned subsidiary in respect of projects undertaken by such subsidiary.

The Purchase Price I is expected to be paid by 3 instalments (comprising 1st instalment of approximately RMB221.95 million, 2nd instalment of approximately RMB110.98 million and 3rd instalment of approximately RMB36.99 million). Payment of each instalment of the Purchase Price I shall be payable after the fulfilment of the certain conditions as set out in the Letter from the Board.

It is expected that the 1st instalment, 2nd instalment and 3rd instalment of the Purchase Price I will be paid around 15 December 2021, 15 January 2022 and April 2022 respectively.

*5.1.2 Finance Lease Agreement I*

Date: 29 September 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 I: A period of 144 months commencing from the date of payment of first instalment of the Purchase Price I.

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

The applicable interest rate is a floating interest rate equal to the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%. The relevant LPR for the first Lease Payment is the LPR announced on 20 August 2021, being 4.65%, which gives rise to an applicable interest rate of 5.15% for the first Lease Payment. The applicable interest rate will be adjusted annually on 1<sup>st</sup> January in each calendar year, which will, after adjustment, equal to the higher of (i) 5.15% and (ii) the latest LPR announced before the relevant 1<sup>st</sup> January plus 0.5%. Assuming the applicable interest rate was 5.15% throughout the Finance Period I, the total Lease Payments would be approximately RMB508.63 million (approximately HK\$612.81 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 I, the Lessee and certain wholly-owned subsidiaries of the Company (namely Century Concord Wind Power and Gansu Huasheng) shall, in favour of the Financier, execute the security documents (the "**Security Documents**") consisting of (i) the guarantees given by the Company and Century Concord Wind Power respectively; (ii) the mortgages given by the Lessee in respect of Equipment, the Auxiliary Facilities and the land use rights on which the Power Plant is situated respectively; (iii) the pledge given by Gansu Huasheng in respect of its entire shareholding interest in the Lessee; and (iv) the pledge given by the Lessee in respect of its electricity incomes arising from the operation of the Power Plant.

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

Consultancy fees:

The Lessee shall pay to the Financier a consultancy fee of approximately RMB7.40 million, representing 2% of the Purchase Price I, which shall be paid before the payment of the Purchase Price I. The consultancy fee was determined after arm's length negotiation between the parties with reference to the prevailing market rates of handling fees (which ranged from 0% to 5%). As the Financier does not charge any handling fee for the Finance Lease Arrangement I, the Group considers that the payment of the consultancy fee can be viewed as a substitution for the payment of a handling fee by the Lessee to the Financier, and that the market rates of handling fees are thus applicable for the determination of that consultancy fee. The consultancy fee of 2% of the Purchase Price I falls within the said range. Hence, the Group considers that the amount of the consultancy fee is fair and reasonable.

- Security deposit: To secure the due performance of the Lessee's obligations under the Finance Lease Agreement I, a security deposit equal to 3% of each instalment payment of the Purchase Price I shall be paid by the Lessee to the Financier before the payment of such instalment of the Purchase Price I. The total amount of the security deposit is approximately RMB11.10 million. The security deposit was determined after arm's length negotiation between the parties with reference to the prevailing market rates of security deposits (which ranged from 0% to 5%). The security deposit of 3% of the Purchase Price I falls within the said range. Hence, the Group considers that the amount of the security deposit is fair and reasonable.
- Buyback option: Upon the expiry of the Finance Period I, the Lessee has the option to buy back the Equipment from the Financier at a consideration of RMB1.

## **5.2 Finance Lease Arrangement II**

### *Finance Lease Agreement II*

- Date: 29 September 2021
- Parties: (iii) the Financier as the lessor; and  
(iv) the Lessee as the lessee.
- Subject asset: The Auxiliary Facilities, which shall be purchased by the Financier from the Lessee for the purposes of leasing the Auxiliary Facilities back to the Lessee from the Financier.

**Purchase Price:** The Purchase Price II payable by the Financier to the Lessee for the purchase of the Auxiliary Facilities is an amount equal to the lower of (i) 80% of the total investment of the Project minus the Purchase Price I; and (ii) RMB70 million (approximately HK\$84.34 million), which was determined after arm's length negotiation between the Lessee and the Financier with reference to the total original sub-contract purchase prices for the acquisition and construction of the Auxiliary Facilities and the amount of financing needs required by the Group.

The Group understands that for finance lease arrangement for projects under construction, a financier is generally unwilling to lend money to a borrower under finance lease arrangement for auxiliary facilities and their related equipment of a power plant project for an amount representing more than 80% of the total investment for that power plant project, due to the uncertainty of the amount of total investment to be actually incurred for the completion of the construction for that power plant project. The Group estimated that (a) the total investment of the Project would be not more than approximately RMB550 million, 80% of which would be not more than approximately RMB440 million; and that the result of the 80% of the said total investment deducting the Purchase Price I of approximately RMB 369.92 million would be not more than approximately RMB70.08 million. Hence, the Financier had requested, and the Group had accepted after arm's length negotiation with the Financier, that the Purchase Price II shall be the lower of the two amounts mentioned above. Hence, the Group considers that the amount of the Purchase Price II is fair and reasonable.

The total investment amount represents the sum of costs of equipment (including the Equipment), construction and installation costs, interests cost during the construction period of the project, and other expenses (including cost for the construction land use, management cost for the construction, project preparatory cost, design cost and etc.). The total investment of the Project will be determined in accordance with the project completion report expectedly to be prepared around April 2022 by an independent engineering consulting firm to be appointed by the Lessee after the completion of the construction of the Power Plant, which is an independent third party. As at the date of the Circular, the Auxiliary Facilities have been partially acquired and constructed by the Lessee. The total original sub-contract purchase price of the Auxiliary Facilities to the Group is approximately RMB70.51 million.

The Purchase Price II shall be payable within 15 working days after the fulfilment of certain conditions as set out in the Letter from the Board.

It is expected that the Purchase Price II will be paid around the end of April 2022.

Finance period II: A period of 96 months commencing from the date of the payment of the Purchase Price II.

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

The applicable interest rate is a floating interest rate equal to the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%. The relevant LPR for the first Lease Payment is the LPR announced on 20 August 2021, being 4.65%, which gives rise to an applicable interest rate of 5.15% for the first Lease Payment. The applicable interest rate will be adjusted annually on 1<sup>st</sup> January in each calendar year, which will, after adjustment, equal to the higher of (i) 5.15% and (ii) the latest LPR announced before the relevant 1<sup>st</sup> January plus 0.5%. Assuming the Purchase Price II being RMB70 million and the applicable interest rate was 5.15% throughout the Finance Period II, the total Lease Payments would be approximately RMB87.72 million (approximately HK\$105.69 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 buildings and auxiliary facilities finance leases.

Security documents: As security for the due performance of all the Lessee's obligations under the Finance Lease Agreement II, the Lessee, the Company and certain wholly-owned subsidiaries of the Company (namely Century Concord Wind Power and Gansu Huasheng) shall, in favour of the Financier, execute the Security Documents mentioned above under the paragraph headed "Finance Lease Agreement I – Security Documents".

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

Consultancy fees: The Lessee shall pay to the Financier a consultancy fee of 2% of the Purchase Price II, which shall be paid before the payment of the Purchase Price II and will, if the Purchase Price II being RMB70 million, be RMB1.4 million. The consultancy fee was determined after arm's length negotiation between the parties with reference to the prevailing market rates of handling fees (which ranged from 0% to 5%). As the Financier does not charge any handling fee for the Finance Lease Arrangement II, the Group considers that the payment of the consultancy fee can be viewed as a substitution for the payment of a handling fee by the Lessee to the Financier, and that the market rates of handling fees are thus applicable for the determination of that consultancy fee. The consultancy fee of 2% of the Purchase Price II falls within the said range. Hence, the Group considers that the amount of the consultancy fee is fair and reasonable.

- Security deposit:      An amount equal to 4.5% of the Purchase Price II (which will be RMB3.15 million if the Purchase Price II is RMB70 million), shall be paid by the Lessee to the Financier before payment of the Purchase Price II as deposit to secure the due performance of the Lessee's obligations under the Finance Lease Agreement II. The security deposit was determined after arm's length negotiation between the parties with reference to the prevailing market rates of security deposits (which ranged from 0% to 5%). The security deposit of 4.5% of the Purchase Price II falls within the said range. The Lessee had evaluated the difference between the rate of the security deposit of the Finance Lease Agreement I and the rate of the security deposit of the Finance Lease Agreement II. The security deposit of the Finance Lease Agreement II was requested by the Financier because the security deposit for a Finance Lease Arrangement is required to be more than its Lease Payment. The aforesaid security deposits of the Finance Lease Arrangement I and the Finance Lease Arrangement II of approximately RMB11.0 million and RMB3.15 million respectively are higher than their respective quarterly Lease Payments of approximately RMB11.06 million and RMB3.00 million (comprising repayment of principal and interest and assuming the same applicable interest rate of 5.15%) respectively. As a result, the rate of security deposit for Finance Lease Arrangement II compared to its purchase price is higher than that for the Finance Lease Arrangement I. After the negotiation between the Financier and the Lessee, the security deposit was accepted by the Lessee because the Lessee considered that the security deposit of the Finance Lease Agreements was part of the overall costs of the Finance Lease Agreements and the average rate of the security deposit of the Finance Lease Agreements was also within the said range. Hence, the Group considers that the amount of the security deposit is fair and reasonable.
- Buyback option:      Upon the expiry of the Finance Period II, the Lessee has the option to buy back the Auxiliary Facilities from the Financier at a consideration of RMB1.

6. Assessment on the Principal Terms of the Finance Lease Arrangements

To assess the principal terms of the Finance Lease Arrangements, we have reviewed the terms of the finance lease agreements of the Group with independent third parties involving leasing assets similar with those under the Financial Lease Arrangements which were announced by the Company since 1 January 2021 and up to the Latest Practicable Date (the “**Previous Finance Lease Agreements**”). We have identified 17 Previous Finance Lease Agreements, which is an exhaustive list. Given (i) there are over 10 samples during such review period of over 9 months; (ii) such samples represent all previous transactions identified under the search criteria mentioned above; and (iii) such samples can provide a general reference for common practice of recent finance leasing agreements entered by the Company with independent third parties, we consider such review period is appropriate, sufficient and representative and the Previous Finance Lease Agreements are sufficient, fair and representative samples.

Announcement date	Lessor	Leasing assets	Interest rate	Lease term (months)	Purchase Price (RMB Million)	Handling fee	Security Deposit	Guarantee
2021/10/8	Industrial Bank Financial Leasing Co., Ltd.*(興業金融租賃有限責任公司)	Equipment	relevant over-5-year LPR plus 0.9%	144	350	1.0%	2.5%	Yes
2021/9/23	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 1.181%	168	56.76	1.8%	4.2%	Yes
2021/9/23	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 0.6975%	168	130	1.0%	4.0%	Yes
2021/9/23	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 1.328%	168	56.35	0.8%	4.0%	Yes
2021/9/23	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 0.75795%	168	80	1.0%	4.0%	Yes
2021/7/22	Bank of Beijing Financial Leasing Co., Ltd.*(北銀金融租賃有限公司)	Equipment	relevant over-5-year LPR plus 0.55%	60	310	N/A	3.0%	Yes
2021/6/3	Industrial Financial Leasing Co., Ltd.*(興業金融租賃有限責任公司)	Equipment	relevant over-5-year LPR plus 0.73%	96	244	N/A	2.5%	Yes
2021/5/27	Everbright Financial Leasing Co., Ltd.*(光大金融租賃股份有限公司)	Equipment	relevant over-5-year LPR plus 0.55%	129	250	2.0%	1.8%	Yes
2021/5/11	China Resources Financial Leasing Co., Ltd.*(華潤融資租賃有限公司)	Equipment	relevant over-5-year LPR plus 1%	36	205.8	0.7%	2.0%	Yes
2021/5/6	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Equipment	relevant over-5-year LPR plus 0.642%	180	910	0.6%	4.0%	Yes
2021/5/6	Huaneng Tiancheng Financial Leasing Co., Ltd.*(華能天成融資租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 0.4705%	180	190	0.6%	4.0%	Yes
2021/4/9	Huaxia Financial Leasing Co., Ltd.*(華夏金融租賃有限公司)	Equipment	relevant over-5-year LPR plus 0.95%	156	1007.2	2.0%	N/A	Yes
2021/4/9	Huaxia Financial Leasing Co., Ltd.*(華夏金融租賃有限公司)	Auxiliary facilities	relevant over-5-year LPR plus 0.95%	156	142.8	2.0%	N/A	Yes

## APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement date	Lessor	Leasing assets	Interest rate	Lease term (months)	Purchase Price (RMB Million)	Handling fee	Security Deposit	Guarantee
2021/3/25	Bank of Beijing Financial Leasing Co., Ltd.* (北銀金融租賃有限公司)	Equipment	relevant over-5-year LPR plus 0.55%	120	180	N/A	3.0%	Yes
2021/3/19	Everbright Financial Leasing Co., Ltd.* (光大金融租賃股份有限公司)	Equipment	relevant over-5-year LPR plus 0.61%	144	261.2	2.0%	2.0%	Yes
2021/3/19	Bank of Beijing Financial Leasing Co., Ltd.* (北銀金融租賃有限公司)	Equipment	relevant over-5-year LPR plus 0.55%	120	300	N/A	3.0%	Yes
2021/3/19	China Resources Financial Leasing Co., Ltd.* (華潤融資租賃有限公司)	Equipment	relevant over-5-year LPR	120	294.8	2.0%	2.0%	Yes
	Maximum			180	1007.2	2.0%	4.2%	
	Minimum			36	56.4	0.6%	1.8%	
	Average			136	292.3	1.4%	3.1%	
Finance Lease Arrangement I:								
2021/9/29	Huadian Finance Lease Co., Ltd.* (華電融資租賃有限公司)	Equipment	the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%	144	369.92	2.0%	3.0%	Yes
Finance Lease Arrangement II:								
2021/9/29	Huadian Finance Lease Co., Ltd.* (華電融資租賃有限公司)	Auxiliary Facilities	the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%	96	70	2.0%	4.5%	Yes

Source: [www.hkexnews.hk](http://www.hkexnews.hk)

### ***Assessment on the interest rate***

The applicable interest rate under the Finance Lease Arrangements is a floating interest rate equal to the higher of (i) 5.15% and (ii) the relevant over-5-year LPR plus 0.5%.

As shown in the table above, the interest rates of the Previous Finance Lease Agreements ranged from relevant over-5-year LPR to relevant over-5-year LPR plus 1.328%. As the over-5-year LPR announced on 20 August 2021 was 4.65%, which remained unchanged since April 2020, we consider the interest rate of Finance Lease Arrangements is within the range of the Previous Finance Lease Agreements, in line with the market practice, fair and reasonable.

In addition to our analysis on the interest rates of the Previous Finance Lease Agreements, we have also obtained and reviewed the financing proposal quoted by two independent financiers in relation to the Equipment and the Auxiliary Facilities. We noted that the interest rates offered by such independent financial institutions were 5.72% and 6.30% respectively, which are less favourable than that of the Finance Lease Arrangements.

We have reviewed the 2020 Annual Report of the Company and noted that in 2020, the effective interest rate of the bank borrowings of the Group ranged from 1.0% to 6.9%; the effective interest rate of senior notes and bonds of the Group ranged from 8.3% to 11.8%; the effective interest rate of convertible loan of the Company was 10.23%; and the carry interest of other borrowings of the Group ranged from 5.0% to 5.9%. We noted the interest rate of the Finance Lease Arrangements is within the range of the interest rates of other financing methods currently used by the Group. We also understood from the Company that the lower end of the effective interest rate of the bank borrowings of the Group, i.e. 1%, was related to a bank borrowing of US\$100,000 in the USA which was a temporary arrangement during COVID-19 pandemic and not a meaningful reference for the interest rate under the Finance Lease Arrangements in China. We have reviewed the full list of the effective rates of the Group's bank borrowings in 2020, and noted that save for bank borrowings for four projects in Tibet and Hunan with special subsidised interest rates of 2.9% and 3.9% respectively, which are not meaningful references for the interest rate under the Finance Lease Arrangements, the lowest interest rate of the bank borrowings of the Group's normal project in China is 4.41%. We have also obtained and reviewed the financing agreement with such lowest interest rate and confirmed its effective interest rate in 2020 was 4.41%. However, as mentioned in the above section headed "4. Reasons for and benefits of the Finance Lease Agreements", in respect of finance lease arrangement for projects under construction as in the case of the Power Plant, banks generally required much longer approval time and imposed much onerous terms. The Group had reached out to two banks for project financing while the Power Plant was not able to fulfil the terms requested by such banks. Based on the above, we consider the interest rate of the Finance Lease Arrangements is no less favourable than that of other financing methods.

***Assessment on the lease term***

As advised by the Company, the lease terms of 144 months under Finance Lease Arrangement I and 96 months under Finance Lease Arrangement II are arrived between the parties based on the assessment of capital requirement of the Group, repayment arrangement of the financing and depreciation duration of the Equipment and the Auxiliary Facilities.

As shown in the table above, the lease terms of the Previous Finance Lease Agreements ranged from approximately 36 months to 180 months with an average of 136 months. We note that the lease terms under the Finance Lease Arrangements are within the range of the Previous Finance Lease Agreements. Therefore, we consider the lease terms of the Finance Lease Arrangements are in line with the market practice, fair and reasonable.

*Assessment on the purchase price*

The purchase prices under the Finance Lease Arrangements were determined upon arm's length negotiation between the Lessee and the Financier with reference to the market value of the Equipment and the total original sub-contract purchase prices for the acquisition of the Auxiliary Facilities.

The Purchase Price I to the original acquisition cost of Equipment is approximately 101.3% and the Purchase Price II to the original sub-contract purchase price is approximately 99.3%. Since the purchase prices under the Finance Lease Arrangements are close to the market value of the Equipment and the Auxiliary Facilities and the basis for determining such purchase prices are similar with that under the Previous Finance Lease Agreements, we consider that purchase prices under the Finance Lease Agreements are in line with the market practice, fair and reasonable.

*Assessment on the consultancy fee, security deposit and guarantee*

As shown in the table above, we noted that there are (i) 13 out of 17 of the Previous Finance Lease Agreements involving handling fees; (ii) 15 out of 17 of the Previous Finance Lease Agreements involving security deposits and (iii) all of the 17 Previous Finance Lease Agreements involving guarantees. The consultancy fees under the Finance Lease Arrangements are similar with handling fees under the Previous Finance Lease Agreements in nature. The handling fee rates of the Previous Finance Lease Agreements ranged from 0.6% to 2.0% and the consultancy fee rates of the Finance Lease Arrangements are within the range of the Previous Finance Lease Agreements. The security deposit rate of the Previous Finance Lease Agreements ranged from 1.8% to 4.2% and the security deposit rate under Finance Lease Arrangement I is within the range of the Previous Finance Lease Agreements while the security deposit rate under Finance Lease Arrangement II, i.e. 4.5%, is slightly higher than the high end of the range of the Previous Finance Lease Agreements. The security deposit is part of the overall costs of the Finance Lease Arrangements and was determined after arm's length negotiation between the parties with reference to the prevailing market rates of security deposits. The average rate of the security deposit of the Finance Lease Agreements is within the range of the Previous Finance Lease Agreements. On one hand, given the amount of the security deposit under Finance Lease Arrangement II is relatively small and the Financier is a reputable financial institution with a credit rating of AAA with a stable outlook, we consider the default risk of the Financier is relatively low. On the other hand, the Company confirmed that it has never forfeited any security deposit in any previous finance lease arrangement. Having reviewed and considered the financial position of the Company and its clean track record, we concur with the Company that it is highly unlikely that the Company would default and forfeit the security deposit under the Finance Lease Arrangements. Based on the above, we consider the arrangement of consultancy fee, security deposit and guarantee under the Finance Lease Arrangements are in line with market practice, fair and reasonable.

Taking into account our analysis above, we consider the terms of the Finance Lease Arrangements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

**7.      Use of Proceed**

It is expected that the Company will generate a total net disposal proceeds under the Finance Lease Arrangements of an amount no more than RMB431.12 million (approximately HK\$519.42 million), which will be used for the construction of the Power Plant.

**8.      Financial Effect of the Finance Lease Arrangements**

Upon completion of the Finance Lease Agreements, it is expected that (i) the total assets of the Group would increase to reflect the cash inflow of the total net disposal proceeds under the Finance Lease Agreements; (ii) there would be no material impact on the fixed assets of the Company as the net carry value of the Equipment and the Auxiliary Facilities is close to the Purchase Price I and Purchase Price II, respectively; (iii) the total liabilities of the Group would increase to reflect the Lease Payments obligation of the Group; and (iv) there will be no material impact on the net assets of the Group.

Under the Finance Lease Agreements, the Financier agree to lease back the Equipment and the Auxiliary Facilities to the Lessee, for a term of 144 months and 96 months respectively. During such finance periods, the Lease Payments will be incurred which would have direct impact on the Group's profit. In addition, the payment of the consultancy fees under the Finance Lease Agreements would also have direct impact on the Group's profit. Under the Finance Lease Agreements, the estimated aggregate interest during the Finance Period I and the Finance Period II will be approximately RMB156.4 million, and the aggregate consultancy fees will be approximately RMB8.8 million.

In view of above, the Finance Lease Arrangements would not have any material adverse impact on the financial position and results of the Group. Shareholders should note that the above analysis is for illustrative purpose only and do not purport to represent the financial results and financial position of the Group upon completion of the Financial Lease Arrangements.

**RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Finance Lease Arrangements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Finance Lease Arrangements is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM in respect of the Finance Lease Arrangements.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Dian Deng**  
*Managing Director*

*Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any interests in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which he/she was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

#### Long positions in the Shares:

Name of the Directors	Nature of interest			Total	Approximate percentage of the total issued share capital (%)
	Personal	Family	Corporate/Trust		
Liu Shunxing	35,000,000 <sup>(1)</sup>	—	1,704,494,242 <sup>(1)</sup>	1,739,494,242	20.34
Liu Jianhong	29,710,000 <sup>(2)</sup>	—	150,000,000 <sup>(2)</sup>	179,710,000	2.10
Gui Kai	15,600,000 <sup>(3)</sup>	—	—	15,600,000	0.18
Niu Wenhui	16,000,000 <sup>(3)</sup>	—	—	16,000,000	0.19
Zhai Feng	4,000,000 <sup>(3)</sup>	—	—	4,000,000	0.05
Shang Jia	8,000,000 <sup>(3)</sup>	—	—	8,000,000	0.09
Wang Feng	1,500,000 <sup>(3)</sup>	—	—	1,500,000	0.02
Yap Fat Suan, Henry	3,000,000 <sup>(3)</sup>	—	—	3,000,000	0.04
Jesse Zhixi Fang	2,800,000 <sup>(3)</sup>	—	—	2,800,000	0.03
Huang Jian	2,800,000 <sup>(3)</sup>	—	—	2,800,000	0.03
Zhang Zhong	2,800,000 <sup>(3)</sup>	—	—	2,800,000	0.03

*Notes:*

- (1) 1,002,877,155 Shares were held by China Wind Power Investment Limited (“CWPI”) and 701,617,087 Shares were held by Splendor Power Limited. CWPI was wholly-owned by Permanent Growth Limited. Mr. Liu Shunxing held as to 46.77% of the issued shares of Permanent Growth Limited and held as to 99% of the issued shares of Splendor Power Limited. Mr. Liu Shunxing beneficially held 27,000,000 Shares. As at the Latest Practicable Date, Mr. Liu Shunxing was deemed to have interest under the SFO in respect of 8,000,000 old Shares granted to him under the share award scheme adopted by the Company on 15 June 2015 as amended on 29 June 2017 (the “Scheme”), which was held by the trustee appointed under the Scheme (the “Trustee”) pending such Shares having been vested unto him.
- (2) 150,000,000 Shares were held by a discretionary trust for which Ms. Liu Jianhong was the founder and settlor. Ms. Liu Jianhong beneficially held 23,710,000 Shares. As at the Latest Practicable Date, Ms. Liu Jianhong was deemed to have interest under the SFO in respect of 6,000,000 old Shares granted to her under the Scheme, which was held by the Trustee pending such Shares having been vested unto her.
- (3) As at the Latest Practicable Date, the Director was deemed to have interest under the SFO in respect of such number of the Shares conditionally granted to him/her under the Scheme as mentioned in the announcement of the Company dated 15 October 2021.

**(ii) Directors’ other interests**

- (a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.
- (d) As at the Latest Practicable Date, save for Mr. Liu Shunxing (“Mr. Liu”) and Ms. Liu Jianhong being the directors of China Wind Power Investment Limited and Permanent Growth Limited, and Mr. Liu being a director of Splendor Power Limited, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. MATERIAL CONTRACT

The following contract, not being a contract entered into in the ordinary course of business, was entered into by the Group within the two years preceding the date of this circular and was material:

- (a) On 8 September 2020, the Company commenced (i) the exchange offer with respect to the Company's outstanding senior notes (the "**Existing Notes**") pursuant to which an offer is made to exchange Existing Notes for the US\$ denominated senior notes to be issued by the Company (the "**New Notes**"); and (ii) a concurrent offering to issue and sell additional New Notes that will form a single series with the corresponding New Notes to be issued under the said exchange offer.

### 4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group.

### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment compensation (other than statutory compensation)).

### 6. SECRETARY OF THE COMPANY

The secretary of the Company is Mr. Chan Kam Kwan, Jason. Mr. Chan holds a certificate of Certified Public Accountant issued by the Washington State Board of Accountancy in the United States, and has extensive experience acting as a company secretary for listed companies.

### 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. EXPERT QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Maxa Capital	a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in the promotion of, or in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name and/or its opinion and advice in the form and context in which it is included.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents are published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnegroup.com](http://www.cnegroup.com)) for a period of 14 days from the date of this circular:

- (a) the Supply Agreement;
- (b) the Finance Lease Agreement I; and
- (c) the Finance Lease Agreement II.

**10. MISCELLANEOUS**

The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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## NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “SGM”) of Concord New Energy Group Limited (the “Company”) will be held at 10:00 a.m. on Wednesday, 24 November 2021 at Suite 3901, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong to consider and, if thought fit, pass the following ordinary resolutions of the Company:

#### RESOLUTIONS

1. “**THAT** the Supply Agreement and the Finance Lease Agreement I (both as defined in the circular of the Company dated 8 November 2021), a copy of which is tabled at the SGM, and the transactions contemplated thereunder be and are hereby approved, confirmed, authorised and ratified, and any one or two of the directors of the Company be and is hereby authorised to execute all such documents and to do all such acts as he/she may in his/her absolute opinion deem necessary, desirable or expedient to give effect to the transactions contemplated thereunder with such changes as he/she may in his/her absolute opinion deem necessary, desirable or expedient.”
2. “**THAT** the Finance Lease Agreement II (as defined in the circular of the Company dated 8 November 2021), a copy of which is tabled at the SGM, and the transactions contemplated thereunder be and are hereby approved, confirmed, authorised and ratified, and any one or two of the directors of the Company be and is hereby authorised to execute all such documents and to do all such acts as he/she may in his/her absolute opinion deem necessary, desirable or expedient to give effect to the transactions contemplated thereunder with such changes as he/she may in his/her absolute opinion deem necessary, desirable or expedient.”

For and on behalf of  
**Concord New Energy Group Limited**  
**Chan Kam Kwan, Jason**  
*Company Secretary*

Hong Kong, 8 November 2021

\* *For identification purposes only*

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## NOTICE OF SGM

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*Notes:*

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the branch share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
3. Completion and return of the form of proxy will not preclude a member from attending the SGM or at any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. If tropical cyclone warning signal no. 8 or above, "extreme conditions" caused by super typhoons or a black rainstorm warning is in effect at any time after 7:00 a.m. on Wednesday, 24 November 2021, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
5. The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.