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熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊猫绿色能源集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

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

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 22 March 2019, the Purchaser, the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the Target Equity for a total consideration of RMB43,350,000, subject to the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, the Company owns 50% of the equity interest of the Target Company in aggregate, which is directly held by (i) the Vendor as to 44.44%; and by (ii) UP (Shenzhen) as to 5.56%. Upon completion of the Disposal, the total equity interest owned by the Company in the Target Company will be reduced from 50% to 33%, which will comprise (i) 27.44% equity interest directly owned by the Vendor; and (ii) 5.56% equity interest directly owned by UP (Shenzhen).

LISTING RULES IMPLICATIONS

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

As the highest of the applicable percentage ratios (as defined in the Listing Rules) of the Disposal exceeds 0.1% but did not exceed 5%, the Disposal would be subject to the reporting and announcement requirements but would be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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EQUITY TRANSFER AGREEMENT

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

Date

22 March 2019

Parties

- (1) the Vendor;
- (2) the Purchaser; and
- (3) the Target Company

Subject matter

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

Consideration and payment terms

The consideration for the Disposal payable by the Purchaser to the Vendor is RMB43,350,000. The amount of consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the financial performance of the Target Company and its business prospects.

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

Conditions precedent

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

- (a) the Disposal having been approved at the shareholders' meeting or board meeting of the Target Company;
- (b) the existing remaining shareholders of the Target Company having agreed in writing to waive their rights of first refusal as to the Target Equity as prescribed in the PRC laws and the articles of association of the Target Company; and
- (c) the articles of association of the Target Company having been amended with regards to the transfer of the Target Equity to the satisfaction of the Vendor.

Completion

- (a) within 15 business days from the date of the Equity Transfer Agreement, the Vendor shall work in collaboration with the Purchaser to complete the changes in industrial and commercial registration in respect of the Disposal; and
- (b) the date of completion for the Disposal shall be the date in which all the changes in industrial and commercial registration in respect of the Disposal has been completed.

Special conditions

Grant of Call Option and Put Option

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

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

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

Capital reduction

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

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

The Purchaser agreed that all sums received by the Target Company before 1 January 2019 shall be used to first repay the amount payable by the Target Company to its shareholders.

Undertakings by the Target Company and its wholly-owned subsidiary

From the date of the Equity Transfer Agreement to the date of completion, unless prior written consent has been obtained from the Purchaser, the Target Company undertakes that it shall not and it shall procure that its wholly-owned subsidiary, Zhonghui Company, not to:

- (a) declare or pay any dividends;
- (b) increase, reduce its capital or transfer its registered capital;
- (c) repay any debt before the due date;
- (d) sell, transfer, dispose of, lease, license, charge, grant any property, rights or assets, or create encumbrances thereon; or authorise such grant, transfer, disposal, lease, license, charge of property, rights or assets, or such grant or creation of encumbrances;
- (e) discharge any debts to third parties or waive any claims;
- (f) make any amendments to existing contracts or agreements that are unfavorable to the Target Company or Zhonghui Company;
- (g) increase the remuneration of the middle-level to senior management of the Target Company or Zhonghui Company by issuing bonuses to any senior management member or raising of their income in any other form;

- (h) modify the accounting methods, policies or principles of the Target Company or Zhonghui Company, and the financial accounting rules adopted by the Target Company or Zhonghui Company;
- (i) make any amendments or changes to the articles of association of the Target Company or Zhonghui Company other than the amendments to articles of association of the Target Company as stipulated in Equity Transfer Agreement;
- (j) buy back, repay or incur any loan liability, or assume, accept or take responsibility for the obligations of other persons, or provide any loan or prepayment, or create any security interest over any of its assets;
- (k) carry out any new business other than its existing business;
- (l) pay, waive, assign, release, discharge, settle, concede or satisfy any request, liability, obligation or any pending or potential litigation or legal proceedings; and
- (m) enter into or conduct any related party transaction with related parties (other than in the ordinary course of business).

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is directly owned as to 44.44% by the Vendor. The Target Company currently owns a solar power plant with an installed capacity of 3.8MW (via Zhonghui Company, a wholly-owned subsidiary of the Target Company) and owns a solar power plant with an installed capacity of 20MW.

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

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

The unaudited net asset value of the Target Company as at 31 December 2018 was approximately RMB176 million.

INFORMATION ON THE COMPANY, THE VENDOR AND THE PURCHASER

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

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

The Purchaser is a limited partnership established in the PRC, which focuses on equity investment, mergers and acquisitions, restructuring and reform of enterprises in the field of cultural and entertainment, medical, logistic, financial, and environmental industry, etc.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is estimated that the Company would recognise a gain of approximately RMB13 million from the Disposal (subject to audit) being the difference between (i) the consideration for the Disposal, (ii) the unaudited total net asset value of the Target Company as recorded in the Group's financial statements as at the date of Completion; and (iii) the estimated expenses to be incurred from the Disposal. However, the calculations are only estimates provided for illustrative purposes. Shareholders should note that the actual amount of gain on the Disposal to be recorded by the Company will be subject to review by the auditors of the Company.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

In view of the above, the Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Each of Mr. Li, Alan and Mr. Lu Zhenwei is an executive Director and Mr. Tang Wenying is a non-executive Director. Each of them is also a director of CMNEG. All of the three Directors abstained from voting at the Board meeting to approve the Equity Transfer Agreement.

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DEFINITIONS

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

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

“Disposal”	the disposal of the Target Equity in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into on 22 March 2019 between the Vendor, the Purchaser and the Target Company in respect of the Disposal, as amended by the supplemental equity transfer agreement entered into on 22 March 2019 between the Vendor, the Purchaser and the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts, which equals 1,000,000 watt
“Purchaser”	深圳國調招商併購股權投資基金合夥企業（有限合夥）(transliterated as State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP))* , an entity established in the PRC, details of which are disclosed in the section headed “Information of the Relevant Parties” in this announcement
“Put Option”	the right of the Purchaser to sell to the Vendor, and require the Vendor to acquire, the Target Equity pursuant to the Equity Transfer Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司), a company established in the PRC with limited liability which is currently owned by the Vendor as to 44.44%
“Target Equity”	the 17% equity interest in the Target Company as contemplated under the Equity Transfer Agreement
“UP (Shenzhen)”	United Photovoltaics (Shenzhen) Co., Ltd.* (聯合光伏(深圳)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Vendor”	United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhonghui Company”	Fengxian Zhonghui Photovoltaic Energy Co., Ltd.* (豐縣中暉光伏能源有限公司), a company established in the PRC with limited liability and the wholly-owned subsidiary of the Target Company
“%”	per cent.

For and on behalf of
Panda Green Energy Group Limited
Li, Alan and Lu Zhenwei
Chairmen of the Board

Hong Kong, 22 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer), Mr. Lu Zhenwei (Co-Chairman), Mr. Yu Qiuming (Co-Chief Executive Officer), Mr. Li Hong and Mr. Li Guangqiang; the non-executive directors of the Company are Mr. Tang Wenyong, Mr. Li Hao and Ms. Xie Yi; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng.

* for identification purpose only