

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊貓綠色能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

DISCLOSEABLE TRANSACTIONS
DISPOSALS OF EQUITY INTERESTS IN TWO SUBSIDIARIES

SUMMARY

The Board is pleased to announce that, on 5 September 2019 (after the trading hours), the Vendor, which is a wholly-owned subsidiary of the Company, entered into the (1) Lvzhao Disposal Agreement and (2) Lvyi Disposal Agreement with two different Purchasers, pursuant to which the Group has agreed to sell and the Purchasers has agreed to purchase the Equity Interest at the Considerations in accordance with the terms and conditions contained in the respective Disposal Agreement.

(1) ZHAOLIAN LVZHAO DISPOSAL

On 5 September 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Lvzhao Disposal Agreement with the Purchaser 1, pursuant to which the Vendor has agreed to sell, and the Purchaser 1 has agreed to buy, the Lvzhao Equity Interest, representing the entire equity interest of Zhaolian Lvzhao, at a consideration of RMB1,000,000. Zhaolian Lvzhao indirectly owns 8 power plants with an aggregate installed capacity of approximately 270 MW located in the PRC.

Upon completion of the Zhaolian Lvzhao Disposal, Zhaolian Lvzhao will cease to be a subsidiary of the Company and the financial results of Zhaolian Lvzhao will no longer be consolidated into the financial statements of the Group.

(2) ZHAOLIAN LVYI DISPOSAL

On 5 September 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Lvyi Disposal Agreement with the Purchaser 2, pursuant to which the Group has agreed to sell, and the Purchaser 2 has agreed to buy, the Lvyi Equity Interest, representing the entire equity interest of Zhaolian Lvyi, at a consideration of RMB197,500,000. Zhaolian Lvyi indirectly owns 8 power plants with an aggregate installed capacity 270MW located in the PRC.

Upon completion of Zhaolian Lvyi Disposal, Zhaolian Lvyi will cease to be a subsidiary of the Company and the financial results of Zhaolian Lvyi will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As Zhaolian Lvzhao and Zhaolian Lvyi are holding in aggregate 36.45% effective equity interest in Changzhou Ranchen, the Zhaolian Lvzhao Disposal and the Zhaolian Lvyi Disposal should be aggregated as a single transaction in accordance with Rule 14.23 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of (1) the Zhaolian Lvzhao Disposal and (2) the Zhaolian Lvyi Disposal on an aggregation basis is more than 5% and all of them are less than 25%, (1) the Zhaolian Lvzhao Disposal and (2) the Zhaolian Lvyi Disposal on an aggregation basis constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

SUMMARY

The Board is pleased to announce that, on 5 September 2019 (after the trading hours), the Vendor, which is a wholly-owned subsidiary of the Company, entered into the (1) Lvzhao Disposal Agreement and (2) Lvyi Disposal Agreement with two different Purchasers, pursuant to which the Group has agreed to sell and the Purchasers has agreed to purchase the Equity Interest at the Considerations in accordance with the terms and conditions contained in the respective Disposal Agreement.

(1) ZHAOLIAN LVZHAO DISPOSAL

On 5 September 2019, the Vendor, a wholly-owned subsidiary of the Company, and Purchaser 1 entered into the Lvzhao Disposal Agreement, pursuant to which the Vendor has agreed to sell, and Purchaser 1 has agreed to buy, the Lvzhao Equity Interest.

The major terms of the Lvzhao Disposal Agreement are summarised as follows:

The Lvzhao Disposal Agreement

Date

5 September 2019

Parties

(1) Vendor

(2) Purchaser 1

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser 1 and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter of the Lvzhao Disposal Agreement

The Lvzhao Equity Interest, representing the entire issued share capital of Zhaolian Lvzhao.

Consideration

The consideration is RMB1,000,000 and will be paid in cash within 15 Business Days after the date on which the Lvzhao Disposal Agreement becomes effective, i.e. the date of execution of the Lvzhao Disposal Agreement.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser 1 with reference to the financial position, including, but not limited to, the net asset value of Zhaolian Lvzhao and the business prospect of Zhaolian Lvzhao. The Directors are of the view that the consideration is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

Conditions precedent

Completion of the Lvzhao Disposal Agreement will be conditional upon the following conditions precedent:

- (a) as at the date of completion, Zhaolian Lvzhao was validly incorporated and continues to exist as an active company under the laws of the PRC, and holds all necessary government permits, certificates and other approvals, all of which remain effective, for conducting lawful and normal business operations, as permitted under its business licence;
- (b) Zhaolian Lvchang having received copies of all financial statements and related information of Zhaolian Lvzhao up to 30 June 2019, and all such data and information are complete, true and accurate; and
- (c) the transfer or acceptance of Lvzhao Equity Interest (as applicable) having been approved by the internal decision-making authorities of each contracting party to the Lvzhao Disposal Agreement.

Completion

Completion of the Lvzhao Disposal Agreement shall take place upon fulfillment of the following conditions:

- (a) the Lvzhao Disposal Agreement becoming effective;
- (b) the Vendor having provided the Purchaser 1 with a list setting out the assets, liabilities and business operations of Zhaolian Lvzhao;
- (c) the Vendor having provided the Purchaser 1 with documents relating to the resignation of the directors, supervisors and senior management of Zhaolian Lvzhao, to take effect on the date of completion; and
- (d) the Vendor having provided various licences, corporate instruments and other documentation of Zhaolian Lvzhao, to the satisfaction of the Purchaser 1.

INFORMATION OF THE VENDOR AND THE PURCHASER 1

The Vendor is a limited liability company incorporated in the PRC, which is a wholly-owned subsidiary of the Group and an important domestic investment platform company. It mainly engages in the development, mergers and acquisitions, construction, operation, maintenance and management of solar and wind power plants.

The Purchaser 1 is a limited liability company incorporated in the PRC. It mainly engages in (1) development, construction, operation, maintenance and management of solar power plants; and (2) consulting on new energy power generation projects.

INFORMATION OF ZHAOLIAN LVZHAO

Zhaolian Lvzhao is a limited liability company incorporated in the PRC, which is a wholly-owned subsidiary of the Group. It mainly engages in the development, construction and operation management of solar energy new energy power stations.

The unaudited net assets of Zhaolian Lvzhao as at 31 December 2018 was approximately RMB257 million.

The unaudited net profit or loss of Zhaolian Lvzhao for the two years ended 31 December 2017 and 2018 are set out as follows:

	For the year ended 31 December 2017 <i>RMB' million</i>	For the year ended 31 December 2018 <i>RMB' million</i>
Net profit before taxation and extraordinary items	141	3
Net profit after taxation and extraordinary items	141	3

FINANCIAL EFFECT OF THE ZHAOLIAN LVZHAO DISPOSAL

It is estimated that the Company would recognise a loss of approximately RMB60 million from the Disposal (subject to audit) being the difference between (i) the Consideration, (ii) the unaudited consolidated total net asset value of the Zhaolian Lvzhao as recorded in the Group's financial statement 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.

Upon completion of the Lvzhao Disposal Agreement, the Company will cease to hold any interest in Zhaolian Lvzhao and the results of Zhaolian Lvzhao will no longer be consolidated into the consolidated financial statements of the Group.

USE OF PROCEEDS

It is intended that the net proceeds will be used for repayment of indebtedness owed by the Group and general working capital of the Group.

(2) ZHAOLIAN LVYI DISPOSAL

On 5 September 2019, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser 2 entered into the Lvyi Disposal Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser 2 has agreed to buy the Lvyi Equity Interest.

The major terms of the Lvyi Disposal Agreement are summarised as follows:

The Lvyi Disposal Agreement

Date

5 September 2019

Parties

(1) Vendor

(2) Purchaser 2

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser 2 and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter of the Lvyi Disposal Agreement

The Lvyi Equity Interest, representing the entire issued share capital of Zhaolian Lvyi.

Consideration

The total consideration for the Zhaolian Lvyi Disposal is RMB197,500,000.

The consideration of the Lvyi Equity Interest will be settled by three instalments. Each of the three instalments shall be paid by the the Purchaser 2 by way of cash, in the following amount on the following payment dates:

- (a) the first instalment in the sum of RMB100,000,000 shall be paid before 31 October 2019;
- (b) the second instalment in the sum of RMB92,500,000 shall be paid before 31 December 2019;
and
- (c) the third instalment in the sum of RMB5,000,000 shall be paid within 15 Business Days upon satisfaction of all conditions for payment of the Lvyi Shareholder's Loan by Zhaolian Lvyi.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser 2 with reference to the financial position, including, but not limited to, the net asset value of Zhaolian Lvyi and the business prospect of Zhaolian Lvyi. The Directors are of the view that the consideration is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

Conditions precedent

Completion of the Lvyi Disposal Agreement will be conditional upon the following conditions precedent:

- (a) as at the date of completion, Zhaolian Lvyi was validly incorporated and continues to exist as an active company under the laws of the PRC, and holds all necessary government permits, certificates and other approvals, all of which remain effective, for conducting lawful and normal business operations, as permitted under its business licence;
- (b) the Purchaser 2 having received copies of all financial statements and related information of Zhaolian Lvyi up to 30 June 2019, and all such data and information are complete, true and accurate; and
- (c) the transfer or acceptance of Lvyi Equity Interest (as applicable) having been approved by the internal decision-making authorities of each contracting party to the Lvyi Disposal Agreement.

Completion

Completion of the Lvyi Disposal Agreement shall take place on the day when (i) the SAIC completes registration of the change in shareholding of Zhaolian Lvyi, and (ii) a subsequent notice of change of shareholding registration details is obtained from the SAIC.

Other material terms

The Lvyi Shareholder's Loan of approximately RMB267 million (which will be further confirmed by the Vendor and the Purchaser 2 upon review and verification of the financial information of Zhaolian Lvyi as at the date of completion), representing the total amount of shareholder's loan made by the Vendor as at the date of the Lvyi Disposal Agreement, shall be settled by Zhaolian Lvyi and made payable to the Vendor upon fulfilment of the following conditions:

- (a) fulfilment of all conditions for completion of the Lvyi Disposal Agreement and related obligations; and
- (b) completion of the liquidation of Changzhou Haozhen Venture Investment Centre Limited Partnership* (常州灝貞創業投資中心(有限合夥)).

INFORMATION OF THE VENDOR AND THE PURCHASER 2

Information about the Vendor can be found under the "Information of the Vendor and the Purchaser 1" section above.

Purchase 2 is a limited liability company incorporated in the PRC. It mainly engages in (but not limited to) (1) design, installation, measurement and supervision of power engineering projects; (2) sales of solar energy products; and (3) construction, operation, maintenance and management of new energy power stations.

INFORMATION OF ZHAOLIAN LVYI

Zhaolian Lvyi is a wholly-owned subsidiary of the Group, which is a limited liability company incorporated in the PRC. It mainly engages in the construction, installation and operation management of solar power plants.

The unaudited net assets of Zhaolian Lvyi as at 31 December 2018 was approximately RMB277 million.

The unaudited net profit or loss of Zhaolian Lvyi for the two years ended 31 December 2017 and 2018 are set out as follows:

	For the year ended 31 December 2017 <i>RMB' million</i>	For the year ended 31 December 2018 <i>RMB' million</i>
Net profit before taxation and extraordinary items	69	8
Net profit after taxation and extraordinary items	69	8

FINANCIAL EFFECT OF THE ZHAOLIAN LVYI DISPOSAL

It is estimated that the Company would recognise a loss of approximately RMB100 million from the Disposal (subject to audit) being the difference between (i) the Consideration, (ii) the unaudited consolidated total net asset value of the Zhaolian Lvyi as recorded in the Group's financial statement 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.

Upon completion of the Lvyi Disposal Agreement, the Company will cease to hold any interest in Zhaolian Lvyi and the results of Zhaolian Lvyi will no longer be consolidated into the consolidated financial statements of the Group.

USE OF PROCEEDS

It is intended that the net proceeds will be used for repayment of indebtedness owed by the Group and general working capital of the Group.

INFORMATION OF THE GROUP

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of renewable energy power plants.

REASON AND BENEFITS OF THE DISPOSALS

Given the operating environment of the solar energy industry in the PRC and having considered the terms of the Disposal Agreements, the Board is of the view that the Disposals will be a good opportunity for the Group to realise its investment in the Equity Interests, and will improve the liquidity and deleveraging of the Group. The Board believes that the terms of the Disposals are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Zhaolian Lvzhao and Zhaolian Lvyi are holding in aggregate 36.45% effective equity interest in Changzhou Ranchen, the Zhaolian Lvzhao Disposal and the Zhaolian Lvyi Disposal should be aggregated as a single transaction in accordance with Rule 14.23 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of (1) the Zhaolian Lvzhao Disposal and (2) the Zhaolian Lvyi Disposal on an aggregation basis is more than 5% and all of them are less than 25%, (1) the Zhaolian Lvzhao Disposal and (2) the Zhaolian Lvyi Disposal on an aggregation basis constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	day on which banks are generally open for business in the PRC and which is not a Saturday, a Sunday, a public holiday or a statutory holiday in the PRC
“Changzhou Ranchen”	Changzhou Ranchen Solar Investment Limited* (常州冉宸光伏投资有限公司), a company incorporated in the PRC, which was classified as an associate and had been accounted for in the consolidated financial statements of the Group using equity method
“Company”	Panda Green Energy Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Consideration(s)”	the consideration receivable by the Vendor under the Disposal Agreements

“Director(s)”	the director(s) of the Company
“Disposal(s)”	collectively, the Zhaolian Lvzhao Disposal and Zhaolian Lvyi Disposal, and “ Disposal ” refers to any one of the Disposals
“Disposal Agreement(s)”	collectively, the Lvzhao Disposal Agreement and Lvyi Disposal Agreement, and “ Disposal Agreement ” refers to any one of the Disposal Agreements
“Equity Interest(s)”	collectively, Lvzhao Equity Interest and Lvyi Equity Interest, and “ Equity Interest ” refers to any one of the Equity Interests
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lvzhao Disposal Agreement”	the equity transfer agreement dated 5 September 2019 entered into between the Vendor and the Purchaser 1 in respect of the Zhaolian Lvzhao Disposal
“Lvzhao Equity Interest”	the entire equity interest in Zhaolian Lvzhao
“Lvyi Disposal Agreement”	the equity transfer agreement dated 5 September 2019 entered into between the Vendor and the Purchaser 2 in respect of the Zhaolian Lvyi Disposal
“Lvyi Equity Interest”	the entire equity interest in Zhaolian Lvyi
“Lvyi Shareholder’s Loan”	the shareholder’s loan extended to Zhaolian Lvyi by the Vendor
“MW”	megawatts, which is equal to 1,000,000 watts
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan

“Purchaser(s)”	collectively, the Purchaser 1 and the Purchaser 2, and the “ Purchaser ” refers to any one of the Purchasers
“Purchaser 1”	Changzhou Zhaolian Lvchang New Energy Limited* (常州市招聯綠昌新能源有限公司), which is an independent third party of the Company
“Purchaser 2”	Shanxi Silu Electricity Engineering Co. Ltd.* (山西絲路電力工程有限公司), which is an independent third party of the Company
“SAIC”	The State Administration for Industry and Commerce of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Vendor”	United Photovoltaics (Changzhou) Investment Group Co., Ltd. (聯合光伏(常州)投資集團有限公司), an indirect wholly owned subsidiary of the Company
“Zhaolian Lvzhao Disposal”	the disposal of the Lvzhao Equity Interest by the Vendor to the Purchaser 1 pursuant to the Lvzhao Disposal Agreement
“Zhaolian Lvyi Disposal”	the disposal of the Lvyi Equity Interest by the Vendor to the Purchaser 2 pursuant to the Lvyi Disposal Agreement
“Zhaolian Lvzhao”	Changzhou Zhaolian Lvzhao New Energy Limited* (常州市招聯綠昭新能源有限公司), a wholly-owned subsidiary of the Company immediately before the completion of the Zhaolian Lvzhao Disposal

“Zhaolian Lvyi”

Changzhou Zhaolian Lvyi New Energy Limited* (常州市招聯綠奕新能源有限公司), a wholly-owned subsidiary of the Company immediately before the completion of the Zhaolian Lvyi Disposal

“%”

per cent

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

Hong Kong, 5 September 2019

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

* for identification purpose only