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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING
CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
IN RESPECT OF SUPPLEMENTAL AGREEMENT TO
FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

**SUPPLEMENTAL AGREEMENT IN RELATION TO FINANCE LEASE BUSINESS
FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 15 May 2020 in relation to the Finance Lease Business Framework Agreement entered into between the Company and Shenzhen Jingneng Leasing, pursuant to which Shenzhen Jingneng Leasing has agreed to provide finance lease services to the Group for three years ending 31 December 2022, subject to the terms and conditions provided therein.

Following the signing of the Finance Lease Business Framework Agreement, the Company entered into a supplemental agreement with Shenzhen Jingneng Leasing on 5 August 2020 to refine the scope of services to be provided.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BEH is the controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company. Therefore, BEH is a connected person of the Company under the Listing Rules. As Shenzhen Jingneng Leasing is a subsidiary of BEH, Shenzhen Jingneng Leasing is also a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder exceeds 5%, the direct lease services constitute a continuing connected transaction which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder exceeds 5% but is less than 25%, the direct lease services constitute a discloseable transaction which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 15 May 2020 in relation to the Finance Lease Business Framework Agreement entered into between the Company and Shenzhen Jingneng Leasing (the “**Announcement**”), pursuant to which Shenzhen Jingneng Leasing has agreed to provide finance lease services to the Group for three years ending 31 December 2022, subject to the terms and conditions provided therein. Unless the context requires otherwise, terms and expressions used in this announcement shall have the same meanings as those defined in the Announcement.

Following the entering into of the Finance Lease Business Framework Agreement, the Company entered into a Supplemental Agreement with Shenzhen Jingneng Leasing on 5 August 2020 to refine the scope of services to be provided (the “**Supplemental Agreement**”).

THE SUPPLEMENTAL AGREEMENT

The principal amendments pursuant to the Supplemental Agreement on the Finance Lease Business Framework Agreement are summarized as follows:

Scope of finance lease services:	Pursuant to the Supplemental Agreement, the finance lease services to be provided by Shenzhen Jingneng Leasing and/or its associates to the Group will be limited to direct lease services only.
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Save for the above amendments, all other terms of the Finance Lease Business Framework Agreement remain unchanged.

ANNUAL CAPS AND BASIS OF THE FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT

The annual cap is calculated with reference to the lease consideration, which includes charges being principal amount, lease interests and handling fees. The lease consideration will be determined by the Group and Shenzhen Jingneng Leasing and/or its associates after arm's length negotiations and with reference to the market price of the same type of finance lease assets.

Since the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) is a new transaction between the Company and Shenzhen Jingneng Leasing, there is no historical transaction information.

The proposed annual caps for the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) with Shenzhen Jingneng Leasing are RMB500 million for each of the three years ending 31 December 2022, which are determined taking into account, among other things, (i) the scale of the upcoming photovoltaic power generation projects; (ii) the financing requirements of past photovoltaic power generation projects; and (iii) current and history costs of photovoltaic power generation projects.

As explained in the Company's announcement dated 3 July 2020, the power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. Historically, the financing requirements of the Group for photovoltaic power generation project per MW in 2018 amounted to approximately RMB4.9 million. As at 31 December 2019, the Group and its associates owned 57 solar power plants with a total installed capacity of approximately 1,909.2 MW. Taking into account the current pace of development and plans for expansion through possible acquisitions, it is expected that the Company will be in a position to expand the capacity of power plants by approximately 500MW each year. The financing requirements are expected to be at least approximately RMB2 billion, and the Company will need to utilise (amongst other financial resources) direct lease arrangements in order to fund its capital requirements.

Given the Group remains positive on the development of the new energy power industry, the Group expects there to be an increase in power construction projects and the Group would therefore require continuous and steady finance lease services.

On the above basis, the Board is of the view that allocating an annual cap of RMB500 million per year for the purpose of finance lease with Jingneng Leasing would be fair and reasonable.

INTERNAL CONTROL MEASURES

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions contemplated under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement), which include the following:

Comparison with independent quotations

The finance department of the Group (the “**Finance Department**”) is responsible for collecting and monitoring the information under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement). Prior to entering into individual lease contracts under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement), the Finance Department will compare the major terms and financing costs associated with such arrangements to the major terms provided and financing costs charged by at least two independent third parties which provide finance lease of a similar scale and nature in the PRC. It is intended that the Group will be sourcing such quotes from independent third parties whose operational scale and financial position are at least comparable to those of Shenzhen Jingneng Leasing having a track record of at least one year in providing similar direct lease services. Officers handling the relevant matters shall submit a report to the head of the Finance Department and the chief financial officer of the Group for approval, which is subject to the preliminary and final review by them based on the relevant rules and regulations.

Pricing terms and mechanism

The Finance Department and other relevant operation departments of the Group are jointly responsible for conducting reviews on compliance with relevant laws, regulations, the Group’s internal policies and the Listing Rules in respect of both continuing connected transactions and connected transactions. They are also jointly responsible for evaluating the transaction terms under each underlying agreement of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement), in particular, the fairness and reasonableness of the pricing terms under each agreement.

Independent non-executive Directors have also reviewed and will continue to review the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions thereunder to ensure that the agreements are entered into on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Finance Department will monitor the direct lease transactions under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) on a regular basis. In particular, the Finance Department will be in close contact with the Group's business teams responsible for direct lease so that the Finance Department will be able to reasonably anticipate expected transaction amount in advance. With the benefit of time and communication, the Finance Department will monitor and assess whether the annual cap is expected to be exceeded based on proposed transactions to be entered into, and where necessary, elevate such issue to the Board with proposed revised annual cap and such other relevant information so that the Board will be in a position to consider and, where applicable, comply with applicable Listing Rules in connection with such revised annual caps.

Independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements and the Group's pricing policy measures, and to confirm if the price and terms offered are fair and reasonable and comparable to those offered by unrelated third parties.

As the Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group and the low interest rates offered by Shenzhen Jingneng Leasing (which will be verified through independent quotes obtained referred to above), the Directors consider that the procedures in place will ensure such transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The Company intends to minimize incurring substantial amount of capital expenditure in purchasing large power generation equipment in the construction of new energy power plant. The Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) would enable the Company to control financing risk and financing cost in its course of investing in new projects and satisfy the Company's demand of funds for purchasing power generation equipment in the early-phase construction of the project in a timely manner.

The Company intends to enter into separate sales and leaseback agreements in relation to the sales and leaseback arrangements originally contemplated under the Finance Lease Business Framework Agreement. The Company therefore entered into the Supplemental Agreement to refine the scope of services offered. Pursuant to the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement), the Company would enjoy terms of direct lease that are on normal commercial terms or better from Shenzhen Jingneng Leasing and/or its associates.

Having considered the above, the Directors (excluding the independent non-executive Directors who will form their view after obtaining and considering the advice from Gram Capital) are of the view that the terms of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) have been negotiated on arm's length basis and is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better. The terms of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As Mr. Zhang Ping, Mr. Sui Xiaofeng and Mr. Chen Dayu are also having important positions in BEH, they have abstained from voting on the resolution approving the Supplemental Agreement in the Board meeting.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BEH is the controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company. Therefore, BEH is a connected person of the Company under the Listing Rules. As Shenzhen Jingneng Leasing is a subsidiary of BEH, Shenzhen Jingneng Leasing is also a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder exceeds 5%, the direct lease services constitute a continuing connected transaction which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As the highest the applicable percentage ratios of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder exceeds 5% but is less than 25%, the direct lease services constitute a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

The Company is a company incorporated in Bermuda with limited liability and an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

Shenzhen Jingneng Leasing is a finance lease company incorporated in the PRC and a subsidiary of BEH. Shenzhen Jingneng Leasing primarily provides finance lease services to the public and member enterprises within the BEH group.

BEH is a limited liability company incorporated in the PRC which principally engages in the businesses of generation and supplying of electricity and heat, production and sale of coal and real estate development. BEH is wholly-owned by Beijing State-owned Capital Operation and Management Center.

GENERAL

The Company will convene an SGM to seek Independent Shareholders' approval on the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. All Shareholders who have a material interest in any of the transactions contemplated by the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement), together with their associates, will be required to abstain from voting at the SGM.

As Shenzhen Jingneng Leasing is a subsidiary of BEH, each of BEH, Shenzhen Jingneng Leasing and their respective associates are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The Company has established the independent board committee (the “**Independent Board Committee**”) comprising all the independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng to advise the Independent Shareholders on the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest in the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. The Independent Board Committee will form its view in respect of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder after obtaining and considering the advice from Gram Capital.

A circular containing, among other things, (i) details of the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of SGM is expected to be despatched to the Shareholders on or before 28 August 2020.

For and on behalf of
Panda Green Energy Group Limited
Zhang Ping
Chairman of the Board

Hong Kong, 5 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman and Chief Executive Officer), Mr. Lu Zhenwei and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Sui Xiaofeng, Mr. Chen Dayu, Mr. Li Hao, Ms. Xie Yi and Mr. Yu Qiuming; 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.