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CENTRAL NEW ENERGY HOLDING GROUP LIMITED

中環新能源控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

MAJOR TRANSACTION IN RELATION TO THE EQUIPMENT LEASE AGREEMENTS

THE EQUIPMENT LEASE AGREEMENTS

On 28 June 2024 (after trading hours), the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the Equipment Lease Agreements with the Lessor, pursuant to which the Lessor agreed to lease the Leased Equipment to the Lessee.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, as a result of the entering into of the Equipment Lease Agreements, the Group shall recognise relevant values of right-of-use assets in its consolidated financial statements. Accordingly, the transactions contemplated under the Equipment Lease Agreements will be regarded as acquisition of assets by the Group pursuant to Rule 14.04(1)(a) of the Listing Rules.

As the transactions contemplated under each of the Equipment Lease Agreements are expected to be conducted within a 12-month period, and the Equipment Lease Agreements are entered into by the Lessee with the same lessor with the Leased Equipment intended to be used for production of photovoltaic battery under the same project, they shall be aggregated with each other as if they were one transaction pursuant to Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Equipment Lease Agreements, when aggregated with each other, based on the respective estimated values of the right-of-use assets to be recognised by the Group pursuant to HKFRS 16, exceeds 25% but all of them are less than 100%, the entering into of the Equipment Lease Agreements and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Equipment Lease Agreements and the transactions contemplated thereunder or is required to abstain from voting if a general meeting of the Company is to be convened to approve the transactions contemplated under the Equipment Lease Agreements. The Company has obtained written approval regarding the transactions contemplated under the Equipment Lease Agreements from a Shareholder, namely, Central Culture Resource Group Limited (a company which is wholly owned by Mr. Yu Zhuyun, an executive Director and the chairman of the Board as well as the chief executive officer of the Company), holding 2,890,378,320 Shares, representing approximately 68.43% of the entire issued share capital of the Company as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, the Company is exempt from convening a general meeting of its Shareholders to approve the transactions contemplated under the Equipment Lease Agreements.

A circular containing, among other things, (i) further information of the Equipment Lease Agreements and the transactions contemplated thereunder; and (ii) other information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 July 2024.

INTRODUCTION

On 28 June 2024 (after trading hours), the Lessee, an indirect wholly-owned subsidiary of the Company, entered into three Equipment Lease Agreements with the Lessor, pursuant to which the Lessor agreed to lease the Leased Equipment to the Lessee.

THE EQUIPMENT LEASE AGREEMENT 1

The principal terms of the Equipment Lease Agreement 1 are summarised as follows:

Date : 28 June 2024

Parties : (i) the Lessor; and
(ii) the Lessee

Leased items : Leased Equipment 1, being a total of 84 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, boron diffusion equipment, phosphorus diffusion equipment, rear film automation equipment and washing equipment

Lease period : From 28 June 2024 to 28 March 2028, for a period of 46 months

Calculation and payment of rent : The total consideration payable by the Lessee to the Lessor under the Equipment Lease Agreement 1 shall be RMB288,181,545.22 (equivalent to approximately HK\$308,354,253.39), comprising:

1. Security deposit

Within 15 days from the date of signing of the Equipment Lease Agreement 1, the Lessee shall pay a security deposit in the sum of RMB12,747,467.45 (equivalent to approximately HK\$13,639,790.17) to the Lessor. The Lessee agreed that, unless otherwise applied in writing by the Lessee to the Lessor, such security deposit will be automatically set off against and be applied towards the settlement of the last portion of the remaining rent and other payables, provided that there is no occurrence of any default (or, if there is a default, such default has been remedied in full) by the Lessee.

2. Down payment

Prior to the delivery of Leased Equipment 1 by the Lessor, the Lessee shall pay a down payment in the sum of RMB38,242,402.34 (equivalent to approximately HK\$40,919,370.50) to the Lessor. Such down payment will be excluded from calculation of the rent.

3. Rent

During the lease period, the rent payable by the Lessee to the Lessor under the Equipment Lease Agreement 1 amounts to RMB249,939,142.88 (equivalent to approximately HK\$267,434,882.88), which shall be payable by the Lessee to the Lessor for every three months in 17 instalments (including the payment of the first instalment of rent on 29 June 2024) based on the estimated rent payment schedule as attached to the Equipment Lease Agreement 1.

Usage of leased items : During the lease period, the Lessee is entitled to the possession and usage of Leased Equipment 1. The Lessor shall not intervene the possession and usage of Leased Equipment 1 by the Lessee in a legitimate manner unless there is any default by the Lessee.

- Buyback right of leased items : Upon expiration of the lease period, the Lessee is entitled to purchase Leased Equipment 1 from the Lessor by paying to the Lessor an amount of RMB100, which shall be payable by the Lessee together with the last instalment of rent, provided that all the rent payable to the Lessor under the Equipment Lease Agreement 1 has been settled in full by the Lessee. Upon the Lessee having, in performance of its obligations under the Equipment Lease Agreement 1, settled all the payables, the Lessee will acquire all the rights to Leased Equipment 1.
- Termination : The Lessee may terminate the Equipment Lease Agreement 1 by giving 15 days' prior written notice to the Lessor based on the operation need of the Lessee, without incurring any liability on the part of the Lessee.

The consideration payable by the Lessee to the Lessor under the Equipment Lease Agreement 1 was determined after arm's length negotiation between the Lessee and the Lessor with reference to, among other things, (i) the net assets value of Leased Equipment 1, (ii) the market price of Leased Equipment 1 and (iii) the lease rate with a premium of no more than 3%.

The Group shall use its internal resources to settle the consideration payable under the Equipment Lease Agreement 1 by the Lessee.

THE EQUIPMENT LEASE AGREEMENT 2

The principal terms of the Equipment Lease Agreement 2 are summarised as follows:

- Date : 28 June 2024
- Parties : (i) the Lessor; and
(ii) the Lessee
- Leased items : Leased Equipment 2, being a total of 48 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, phosphorus diffusion equipment, front film equipment and rear film equipment
- Pre-lease period : From 28 June 2024 to 15 August 2024
- Lease period : From 15 August 2024 to 15 May 2028, for a period of 45 months

Calculation and payment of rent : The total consideration payable by the Lessee to the Lessor under the Equipment Lease Agreement 2 shall be RMB166,794,880.41 (equivalent to approximately HK\$178,470,522.04), comprising:

1. Security deposit

Within 15 days from the date of signing of the Equipment Lease Agreement 2, the Lessee shall pay a security deposit in the sum of RMB7,496,792.61 (equivalent to approximately HK\$8,021,568.09) to the Lessor. The Lessee agreed that, unless otherwise applied in writing by the Lessee to the Lessor, such security deposit will be automatically set off against and be applied towards the settlement of the last portion of the remaining rent and other payables, provided that there is no occurrence of any default (or, if there is a default, such default has been remedied in full) by the Lessee.

2. Down payment

Prior to the delivery of Leased Equipment 2 by the Lessor, the Lessee shall pay a down payment in the sum of RMB22,490,377.83 (equivalent to approximately HK\$24,064,704.28) to the Lessor. Such down payment will be excluded from calculation of the rent.

3. Rent

During the pre-lease period and the lease period, the rent payable by the Lessee to the Lessor under the Equipment Lease Agreement 2 amounts to RMB144,304,502.58 (equivalent to approximately HK\$154,405,817.76), which shall be payable by the Lessee to the Lessor for every three months in 16 instalments (including the payment of the first instalment of rent on 15 August 2024) based on the estimated rent payment schedule as attached to the Equipment Lease Agreement 2.

Usage of leased items : During the lease period, the Lessee is entitled to the possession and usage of Leased Equipment 2. The Lessor shall not intervene the possession and usage of Leased Equipment 2 by the Lessee in a legitimate manner unless there is any default by the Lessee.

Buyback right of leased items : Upon expiration of the lease period, the Lessee is entitled to purchase Leased Equipment 2 from the Lessor by paying to the Lessor an amount of RMB100, which shall be payable by the Lessee together with the last instalment of rent, provided that all the rent payable to the Lessor under the Equipment Lease Agreement 2 has been settled in full by the Lessee. Upon the Lessee having, in performance of its obligations under the Equipment Lease Agreement 2, settled all the payables, the Lessee will acquire all the rights to Leased Equipment 2.

Termination : The Lessee may terminate the Equipment Lease Agreement 2 by giving 15 days' prior written notice to the Lessor based on the operation need of the Lessee, without incurring any liability on the part of the Lessee.

The consideration payable by the Lessee to the Lessor under the Equipment Lease Agreement 2 was determined after arm's length negotiation between the Lessee and the Lessor with reference to, among other things, (i) the net assets value of Leased Equipment 2, (ii) the market price of Leased Equipment 2 and (iii) the lease rate with a premium of no more than 3%.

The Group shall use its internal resources to settle the consideration payable under the Equipment Lease Agreement 2 by the Lessee.

THE EQUIPMENT LEASE AGREEMENT 3

The principal terms of the Equipment Lease Agreement 3 are summarised as follows:

Date : 28 June 2024

Parties : (i) the Lessor; and
(ii) the Lessee

Leased items : Leased Equipment 3, being a total of 116 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, phosphorus diffusion equipment, front film equipment, rear film equipment, texturing automation equipment, phosphorus diffusion automation equipment, front film automation equipment, rear film equipment, alkaline-polishing automation equipment, coating automation equipment and inspection equipment

Lease period : From 20 August 2024 to 20 May 2029, for a period of 5 years

Calculation and payment of rent : During the lease period, the rent payable by the Lessee to the Lessor under the Equipment Lease Agreement 3 amounts to RMB408,230,601.85 (equivalent to approximately HK\$436,806,743.98), which shall be payable by the Lessee to the Lessor for every three months in 20 instalments (including the payment of the first instalment of rent on 20 August 2024) based on the estimated rent payment schedule as attached to the Equipment Lease Agreement 3.

Usage of leased items : During the lease period, the Lessee is entitled to the possession and usage of Leased Equipment 3. The Lessor shall not intervene the possession and usage of Leased Equipment 3 by the Lessee in a legitimate manner unless there is any default by the Lessee.

- Buyback right of leased items : Upon expiration of the lease period, the Lessee is entitled to purchase Leased Equipment 3 from the Lessor by paying to the Lessor an amount of RMB100, which shall be payable by the Lessee together with the last instalment of rent, provided that all the rent payable to the Lessor under the Equipment Lease Agreement 3 has been settled in full by the Lessee. Upon the Lessee having, in performance of its obligations under the Equipment Lease Agreement 3, settled all the payables, the Lessee will acquire all the rights to Leased Equipment 3.
- Termination : The Lessee may terminate the Equipment Lease Agreement 3 by giving 15 days' prior written notice to the Lessor based on the operation need of the Lessee, without incurring any liability on the part of the Lessee.

The consideration payable by the Lessee to the Lessor under the Equipment Lease Agreement 3 was determined after arm's length negotiation between the Lessee and the Lessor with reference to, among other things, (i) the net assets value of Leased Equipment 3, (ii) the market price of Leased Equipment 3 and (iii) the lease rate with a premium of no more than 3%.

The Group shall use its internal resources to settle the consideration payable under the Equipment Lease Agreement 3 by the Lessee.

INFORMATION ABOUT THE LESSEE

The Lessee is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Lessee is principally engaged in, among others, new energy technology research and development and manufacturing and sales of batteries and photovoltaic equipment and modules.

INFORMATION ABOUT THE LESSOR

The Lessor is a company established in the PRC with limited liability. To the best knowledge of the Directors, the Lessor is wholly owned by Tongcheng Economic and Technological Development Zone Management Committee* (桐城經濟技術開發區管理委員會). The Lessor is principally engaged in, among others, manufacturing and sales of photovoltaic equipment and modules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUIPMENT LEASE AGREEMENTS

The Group is principally engaged in businesses of (i) green building and construction related business; (ii) new energy and engineering, procurement and construction; (iii) smart energy management services; (iv) health and wellness; and (v) food and beverage supply chain.

As disclosed in the annual report of the Company published on 24 April 2024, the Group will continue to seek new green energy business opportunities and develop its photovoltaic battery and component supply business in Tongcheng City. As the Leased Equipment to be leased under the Equipment Lease Agreements are to be used mainly for the purpose of production of photovoltaic battery in Tongcheng City, and is crucial to the Group's business in manufacturing and sales of photovoltaic battery, the Directors believe that the entering into of the Lease Equipment Agreements will strengthen its revenue base and financial performance, which will, in turn, enhance return to the Shareholders, in long term. In addition, the Directors also consider that the entering into of the Lease Equipment Agreements would enable the Group to use the Leased Equipment for its business operation immediately, without an imminent need to deplete its cash resources to settle the full amount of the Leased Equipment, which can ease the cashflow position of the Group.

The Directors are of the view that the terms of the Equipment Lease Agreements (including but not limited to the consideration payable by the Lessee to the Lessor) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As the transactions contemplated under each of the Equipment Lease Agreements are expected to be conducted within a 12-month period, and the Equipment Lease Agreements are entered into by the Lessee with the same lessor with the Leased Equipment intended to be used for production of photovoltaic battery under the same project, they shall be aggregated with each other as if they were one transaction pursuant to Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Equipment Lease Agreements, when aggregated with each other, based on the respective estimated values of the right-of-use assets to be recognised by the Group thereunder pursuant to HKFRS 16, exceeds 25% but all of them are less than 100%, the entering into of the Equipment Lease Agreements and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Equipment Lease Agreements and the transactions contemplated thereunder or is required to abstain from voting if a general meeting of the Company is to be convened to approve the transactions contemplated under the Equipment Lease Agreements. The Company has obtained written approval regarding the transactions contemplated under the Equipment Lease Agreements from a Shareholder, namely, Central Culture Resource Group Limited (a company which is wholly owned by Mr. Yu Zhuyun, an executive Director and the chairman of the Board as well as the chief executive officer of the Company), holding 2,890,378,320 Shares, representing approximately 68.43% of the entire issued share capital of the Company as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, the Company is exempt from convening a general meeting of its Shareholders to approve the transactions contemplated under the Equipment Lease Agreements.

A circular containing, among other things, (i) further information of the Equipment Lease Agreements and the transactions contemplated thereunder; and (ii) other information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 July 2024.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Central New Energy Holding Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 1735)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equipment Lease Agreement 1”	the equipment lease agreement dated 28 June 2024 entered into between the Lessor and the Lessee in relation to the lease of Leased Equipment 1 from the Lessor to the Lessee
“Equipment Lease Agreement 2”	the equipment lease agreement dated 28 June 2024 entered into between the Lessor and the Lessee in relation to the lease of Leased Equipment 2 from the Lessor to the Lessee
“Equipment Lease Agreement 3”	the equipment lease agreement dated 28 June 2024 entered into between the Lessor and the Lessee in relation to the lease of Leased Equipment 3 from the Lessor to the Lessee
“Equipment Lease Agreements”	collectively, the Equipment Lease Agreement 1, the Equipment Lease Agreement 2 and the Equipment Lease Agreement 3

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Leased Equipment”	collectively, Leased Equipment 1, Leased Equipment 2 and Leased Equipment 3
“Leased Equipment 1”	a total of 84 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, boron diffusion equipment, phosphorus diffusion equipment, rear film automation equipment and washing equipment
“Leased Equipment 2”	a total of 48 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, phosphorus diffusion equipment, front film equipment and rear film equipment
“Leased Equipment 3”	a total of 116 types of equipment for production of photovoltaic battery, including but not limited to texturing equipment, phosphorus diffusion equipment, front film equipment, rear film equipment, texturing automation equipment, phosphorus diffusion automation equipment, front film automation equipment, rear film equipment, alkaline-polishing automation equipment, coating automation equipment and inspection equipment
“Lessee”	中環(桐城)新能源科技有限公司 (Central (Tongcheng) New Energy Technology Co., Ltd.*), a company established in the PRC with limited liability and indirectly wholly owned by the Company
“Lessor”	桐城市天正新能源有限公司 (Tongcheng Tianzheng New Energy Co., Ltd.*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.000625 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Central New Energy Holding Group Limited
Yu Zhuyun
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 28 June 2024

As at the date of this announcement, the executive Directors are Mr. Yu Zhuyun (Chairman and Chief Executive Officer) and Mr. Li Menglin; the non-executive Directors are Mr. Qiao Xiaoge and Ms. Zhu Yujuan; and the independent non-executive Directors are Dr. Li David Xianglin, Mr. Wang Wenxing and Dr. Zhou Chunsheng.

For the purpose of this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1 = HK\$1.07.

* *For identification purposes only*