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TK NEW ENERGY

Tonking New Energy Group Holdings Limited

同景新能源集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8326)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Company is pleased to announce that, on 12 October 2023 (after trading hours), Jin Zhai Tong Jing (as the Lessee) and CR Leasing (as the Lessor) entered into the Finance Lease Agreement. Pursuant to which, CR Leasing has agreed to, among other things, (i) purchase the Leased Assets from the Lessee at a consideration of approximately RMB20,000,000, which will be paid to the Lessee in one lump sum and (ii) lease back the Leased Assets to the Lessee with the Lease Term of 36 months (with an option to renew for 7 years at the end of the 36 months) and the total lease payment is estimated to be approximately RMB22,219,000, of which the total rents will be paid by the Lessee to CR Leasing in 12 instalments.

GEM LISTING RULES IMPLICATION

As one or more applicable percentage ratios calculated pursuant to Chapter 19 of the GEM Listing Rules are more than 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company, and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

FINANCE LEASE AGREEMENT

The Company is pleased to announce that, on 12 October 2023 (after trading hours), Jin Zhai Tong Jing (as the Lessee) and CR Leasing (as the Lessor) entered into the Finance Lease Agreement. The principal terms of the Finance Lease Agreement are summarized as follows:

- Date:** 12 October 2023 (after trading hours)
- Parties:**
- (i) CR Leasing (as the Lessor); and
 - (ii) Jin Zhai Tong Jing (as the Lessee).

LEASED ASSETS

Pursuant to the Finance Lease Agreement, the Leased Assets are photovoltaic power generation equipment and ancillary facilities.

SALE OF THE LEASED ASSETS TO THE LESSOR

Pursuant to the Finance Lease Agreement, the Lessee has agreed to sell and the Lessor has agreed to purchase the Leased Assets at a consideration of RMB20,000,000, which was determined after arm's length negotiation between the parties with reference to the prevailing market rates for similar finance lease arrangements and shall be paid by the Lessor to the bank account designated by the Lessee in one lump sum within 15 working days ("**Payment Date**") from the fulfillment of all the payment conditions precedent.

CONDITIONS PRECEDENT

The conditions precedent to payment by the Lessor to the Lessee for the Leased Assets include but not limited to the following:

1. the Finance Lease Agreement takes effect after execution and seal by both parties and there is no default on the part of the Lessee that has not been disclosed to the Lessor as of the Payment Date of the Leased Assets;
2. the Lessee has provided the Lessor with a certificate of the ownership of the Leased Assets;
3. the Lessee has submitted to the Lessor a valid resolution of the internal competent authority of the Lessee approving the execution and performance of the Finance Lease Agreement in accordance with the constitutional documents;
4. the Lessee has cooperated with the Lessor in completing the relevant formalities (if any) for the registration of the change of the ownership of the Leased Assets;
5. the guarantee contracts (if any) under the Finance Lease Agreement have been executed and taken effect, the Lessor has received a valid resolution (if any) from the internal competent authority of the guarantor approving the provision of the guarantee in accordance with the articles of association, and the relevant guarantee formalities have been completed;
6. the Lessor has received from the Lessee a Notice of Payment and a Certificate of Receipt of Payment;
7. the Lessor has received the Authorization for Inquiry and Use of Credit Information signed by the Lessee and the guarantor (if any); and
8. there are no other circumstances that affect the realisation of the purpose of the Finance Lease Agreement or the performance of the Finance Lease Agreement.

TRANSFER AND DELIVERY OF THE LEASED ASSETS

The Leased Assets under the Finance Lease Agreement do not undergo the actual transfer of possession, nor does the Lessor bear any responsibilities for the delivery of the Leased Assets. The ownership of the Leased Assets shall be transferred from the Lessee to the Lessor on the Payment Date, and the Leased Assets shall be deemed to have been delivered by the Lessor to the Lessee in a complete state.

LEASEBACK OF THE LEASED ASSETS TO THE LESSEE

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessee during the Lease Term at an estimated total rents of approximately RMB22,219,000, which is comprised of (i) the lease cost of RMB20,000,000; (ii) the total rents of approximately RMB2,219,000 calculated at an annual floating lease rate of approximately 4.50%. The rents under the Finance Lease Agreement are determined with reference to the loan prime rate (“LPR”) with a maturity of 5 years or more as published by the National Interbank Funding Center as authorized by the People’s Bank of China prior to (and including) the date on which the Lessor pays the consideration of approximately RMB20,000,000, and are adjusted annually. The interest rate adjustment date shall be the date of each anniversary of the first rent payment date under each lease period, and the interest rate shall be adjusted in the same direction according to the basis point of addition or subtraction between the LPR for the same period as last announced before the interest rate adjustment date and the LPR applicable to the lease rate before the adjustment. In the event of a lease rate adjustment, the rent shall be calculated based on the total remaining lease principal amount and the number of remaining installments during the Lease Term at the new lease rate.

The Lease Term spans a total of 36 months (with an option to renew for 7 years at the end of the 36 months) commencing from the Lease Inception Date up to the corresponding day of the 36th month after the Lease Inception Date (or if there is no corresponding day of that month, the last day of that month). Except for the first and the last instalment of rent, payment shall be made every 3 months for a total of 12 instalments.

During the period of 3 months before the expiry of the original Lease Term, if the Lessee fails to settle the payables under the Finance Lease Agreement, the Lessor is entitled to extend the Lease Term from 36 to 120 months at its discretion. The aforementioned terms shall be changed as follows: the Leased Assets shall be leased back to the Lessee during the Lease Term at an estimated total rents of approximately RMB24,522,000, which is comprised of (i) the lease costs of RMB20,000,000; (ii) the total rents of approximately RMB4,522,000 calculated at an annual floating lease rate of approximately 4.80%. The Lease Term spans a total of 120 months commencing from the Lease Inception Date up to the corresponding day of the 120th month after the Lease Inception Date (or if there is no corresponding day in that month, the last day of that month). Except for the first and the last instalment of rent, payment shall be made every 3 months for a total of 40 instalments.

OWNERSHIP OF THE LEASED ASSETS DURING AND AFTER THE LEASE TERM

The ownership of the Leased Assets shall be transferred to the Lessor upon the consideration of the Leased Assets is paid by the Lessor to the Lessee; where the confirmation and change of the ownership of the Leased Assets shall go through registration and other relevant procedures in accordance with laws, the Leased Assets shall be transferred to the Lessor upon completion of the relevant procedures. The Lessor shall have the ownership of the Leased Assets and all ancillary devices, articles and facilities that are or will be attached to the Leased Assets. The Lessor shall be the sole owner of the Leased Assets. The failure of the Lessor to register the ownership of the Leased Assets due to reasons including laws, regulations or the registration system does not affect the fact that the Lessor is still the sole owner of the Leased Assets. Once the registration of the ownership of the Leased Assets can be realized, the Lessee shall, according to the notice of the Lessor, assist the Lessor in the registration of the ownership of the Leased Assets unconditionally.

During the term of the Finance Lease Agreement, unless the written consent of the Lessor is obtained, the Lessee shall not take the following actions that may infringe on the ownership of the Leased Assets:

1. transfer, sub-lease, lend or surrender the Leased Assets;
2. use the Leased Assets for investment or outsourcing them to third parties or use the Leased Assets as a cooperative condition to cooperate with third parties;
3. create mortgages, pledges or other encumbrance on the Leased Assets;
4. pledge the future revenue to be generated by or relating to the Leased Assets;
5. relocate the Leased Assets from the originally planned place of use;
6. disguise, destroy or remove the logo indicating that the owner is the Lessor;
7. use the Leased Assets for illegal purposes;
8. treat the Leased Assets as the property for the Lessee to assume its civil liability or include the Leased Assets in the bankruptcy property category of the Lessee;
9. expressly or impliedly indicate that the Lessee is the owner of the Leased Assets, or cause others to believe that the Lessee is the owner; and
10. any other act that may infringe on the ownership of the Leased Assets.

PURCHASE OF LEASED ASSETS

Upon the expiry of the Lease Term and subject to the payment of all other payables by the Lessee under the Finance Lease Agreement, the Lessee shall have the right to obtain the ownership of the Leased Assets upon payment to the Lessor a purchase price of RMB100 on an “as-is” basis. As the Leased Assets would remain occupied and used by the Lessee, no representations and guarantees shall be given by the Lessor on the performance and conditions of the Leased Assets at the time of purchase.

During the Lease Term, if the Lessee is not in default under the Finance Lease Agreement or obtains the understanding from the Lessor for its default, and the early purchase condition(s) as stipulated in the main terms is/are satisfied, the Lessee may purchase the Leased Assets in advance after giving a prior written notice to the Lessor at least 30 calendar days and obtaining the written consent from the Lessor. The Lessee shall make a lump sum payment of the early purchase to the Lessor on the date of early purchase as agreed by both parties. Upon receipt of such early purchase payment by the Lessor, the ownership of the Leased Assets shall be transferred to the Lessee and the Finance Lease Agreement shall be terminated. The early purchase payment shall consist of the followings:

1. the remaining lease cost;
2. the interests accrued based on the actual days from the date of payment of the latest instalment of rent due to the date of early purchase, namely the latest instalment of interests not yet due \times (the date of early purchase – the date of payment of the latest instalment of rent due)/(the date of payment of the latest instalment of rent not yet due – the date of payment of the latest instalment of rent due) (the above dates are calculated based on calendar days);
3. all rents due but not paid and penalties;
4. the compensation for early purchase: If the Lessee with the Lease Term less than 1 year from the first Lease Inception Date of the Finance Lease Agreement (including the expiry date) applies for early purchase, the specific amount/calculation of the compensation for early purchase shall be: 1% of the remaining principal amount payable, i.e. (the total principal amount payable – the principal amount paid) \times 1%;
5. the direct and indirect losses caused by the Lessee's early purchase to the Lessor; and
6. other payables as agreed in the Finance Lease Agreement.

OTHER SECURITY AGREEMENTS

In order to secure the performance of obligations by Jin Zhai Tong Jing under the Finance Lease Arrangement, the following security documents were also executed on 12 October 2023 (after trading hours):

| | |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Guarantee Agreement | Tonking Shanghai and Mr. Wu Jian Nong have entered into a guarantee agreement (the “ Guarantee Agreement ”) in favour of CR Leasing, pursuant to which, Tonking Shanghai and Mr. Wu Jian Nong have agreed to provide irrevocable guarantees for all debts of Jin Zhai Tong Jing under the Finance Lease Agreement. |
| Electricity Fee Pledge Agreement | Jin Zhai Tong Jing has entered into a pledge agreement (the “ Electricity Fee Pledge Agreement ”) in favour of CR Leasing, pursuant to which, Jin Zhai Tong Jing has agreed to pledge its gains from the electricity fee receivables to CR Leasing, to secure its performance of obligations under the Finance Lease Agreement. |

Share Pledge Agreement

Tonking Shanghai and Quzhou Jingneng have entered into a share pledge agreement (the “**Share Pledge Agreement**”) in favour of CR Leasing, pursuant to which, Tonking Shanghai and Quzhou Jingneng have agreed to pledge their respective 60% and 40% equity interest in Jin Zhai Tong Jing to CR Leasing, to secure the performance of obligations by Jin Zhai Tong Jing under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of the Group. The Directors are of the view that the Group will obtain financial resources to replenish its liquidity under the Finance Lease Arrangement. The terms of the Finance Lease Arrangement are determined after arm’s length negotiations among relevant parties. The Directors are of the opinion that the terms of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

INFORMATION ABOUT LEASED ASSETS

As at 31 March 2023, the book value of the Leased Assets was approximately RMB23.90 million.

| | For the year ended 31 March | |
|----------------------------------------------------|------------------------------------|----------------------|
| | 2022 | 2023 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> |
| | (Audited) | (Audited) |
| Revenue from the Leased Assets | 5.46 | 6.18 |
| Profit after tax attributable to the Leased Assets | 2.21 | 3.10 |

In accordance with the requirements of the Hong Kong Financial Reporting Standards, the transactions to be contemplated under the Finance Lease Agreement, taken as a whole shall be accounted for as secured borrowings and therefore will not give rise to any gain or loss.

INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT

CR Leasing is a company incorporated in the PRC and is principally engaged in the business of finance leasing. The controlling shareholder of CR Leasing is China Resources Leasing (HK) Company Limited, and its ultimate beneficial owner is China Resources (Holdings) Company Limited. To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, CR Leasing and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The principal business activity of the Company is investment holding, and the Group is principally engaged in the renewable energy business in the PRC.

Jin Zhai Xian Tong Jing New Energy Limited* (金寨縣同景新能源有限公司) is a subsidiary of the Company and is principally engaged in photovoltaic power generation; agricultural technology development; agricultural product cultivation; aquaculture; tourist attraction development; and solar photovoltaic power generation technology.

GEM LISTING RULES IMPLICATION

As one or more applicable percentage ratios calculated pursuant to Chapter 19 of the GEM Listing Rules are more than 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company, and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

| | |
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| “Board” | the board of Directors |
| “CR Leasing” or “Lessor” | China Resources Financial Leasing Co., Ltd.* (華潤融資租賃有限公司), a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement |
| “Company” | Tonking New Energy Group Holdings Limited, the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8326) |
| “connected person(s)” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Finance Lease Agreement” | the agreement in respect of the lease of the equipment entered into between Jin Zhai Tong Jing and CR Leasing dated 12 October 2023, including all ancillary agreements attached thereto, and the supplemental agreement dated 12 October 2023, as described in this announcement |
| “Finance Lease Arrangement” | the transactions contemplated under the Finance Lease Agreement and Other Security Agreements |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM of the Stock Exchange |
| “Group” | the Company and its subsidiary |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |

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|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Jin Zhai Tong Jing” | Jin Zhai Xian Tong Jing New Energy Limited* (金寨縣同景新能源有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company |
| “Lease Inception Date” | the date on which the first instalment of the price of the Leased Assets is paid by the Lessor to the Lessee; |
| “Lease Term” | the lease term of 36 months (with an option to renew for 7 years at the end of the 36 months) under the Finance Lease Agreement; |
| “Leased Assets” | certain facilities to be sold by the Lessee to the Lessor and leased back to the Lessee under the Finance Lease Agreement, details of which are set out in the paragraph headed “Leased Assets” in this announcement |
| “Lessee” | Jin Zhai Tong Jing |
| “Mr. Wu Jian Nong” | Mr. Wu Jian Nong, being the Chief Executive Officer, Chairman and an executive Director of the Company |
| “Other Security Agreements” | as stated in the section headed “Other Security Agreements” in this announcement, the security documents (including the Guarantee Agreement, the Electricity Fee Pledge Agreement and the Share Pledge Agreement) to secure the fulfillment of the Lessee’s obligations under the Finance Lease Arrangement |
| “PRC” | the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan) |
| “Quzhou Jingneng” | Quzhou Jingneng New Energy Technology Company Limited* (衢州景能新能源科技有限公司), a company incorporated in the PRC with limited liability |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | the shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tonking Shanghai” | Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| “%” | per cent |

For illustration purpose, the exchange rate of RMB1 = HK\$1.07 is applied in this announcement.

By Order of the Board
Tonking New Energy Group Holdings Limited
Mr. Wu Jian Nong
*Executive Director, Chairman of the Board
and Chief Executive Officer*

Hong Kong, 12 October 2023

As at the date of this announcement, the executive Directors are Mr. Wu Jian Nong, Ms. Shen Meng Hong and Mr. Xu Shui Sheng; and the independent non-executive Directors are Ms. Wang Xiaoxiong, Mr. Zhou Yuan and Mr. Shen Fuxin.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website (www.hkexnews.hk) for 7 days from the date of its posting and will also be published on the Company’s website (www.tonkinggroup.com.hk).

* *For identification purposes only*