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China Nature Energy Technology Holdings Limited

中國納泉能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1597)

DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE TO JOINT VENTURE; DISPOSAL OF 50% INTEREST IN THE JOINT VENTURE

PROVISION OF FINANCIAL ASSISTANCE

The Board of China Nature Energy Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that on 1 December 2021 (after trading hours), Beijing Nature (an indirect wholly-owned subsidiary of the Company), as the Lender, entered into the Loan Agreement with Datong Fengyuan, as the Borrower. Pursuant to the Loan Agreement, Beijing Nature has agreed to grant the Loan in the form of a shareholder’s loan to Datong Fengyuan.

SUPPLEMENTAL AGREEMENT

In addition to entering into the Loan Agreement, Beijing Nature and Datong Fengyuan entered into the Supplemental Agreement on 5 January 2022 (after trading hours) in relation to the grant of the Loan and the Existing Loans to Datong Fengyuan. The Supplemental Agreement stipulated that the maturity date of the Loan under the Loan Agreement, and the Existing Loans under the Existing Loan Agreement A, the Existing Loan Agreement B and the Existing Loan Agreement C with a total principal amount of RMB24,300,000 will be postponed from 7 January 2022 to 31 December 2022. The other terms of the Loan Agreement, the Existing Loan Agreement A, the Existing Loan Agreement B and the Existing Loan Agreement C remained unchanged.

DISPOSAL OF 50% EQUITY INTEREST IN THE JOINT VENTURE

On 16 December 2021 (after trading hours), Beijing Nature, Liaoning Hailan (as the Vendors) and Huaneng (as the Purchaser) entered into the Equity Purchase Agreement, pursuant to which, the Vendors agreed to sell the Sale Shares to the Purchaser, and the Purchaser also agreed to purchase the Sale Shares from the Vendors for a total consideration of RMB18,666,900.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios in relation to the Loan were below 5% at the relevant time, the Loan granted under the Loan Agreement alone did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios in relation to the Existing Loans were below 5% at the relevant time, the Existing Loans granted under the Existing Loan Agreements did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

However, as Datong Fengyuan is the borrower of the Existing Loan Agreements and the Loan Agreement, the grant of the Loan and the Existing Loans are required to be aggregated under Rule 14.22 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan and the Existing Loans granted to Datong Fengyuan under Rule 14.07 of the Listing Rules are above 5% but all of them are below 25%, the grant of the Loan and the Existing Loans in aggregate, as well as the entering into of the Supplemental Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are above 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under the Listing Rules.

PROVISION OF THE LOAN

The Board announces that on 1 December 2021 (after trading hours), the Loan Agreement was entered into between Beijing Nature as the Lender and Datong Fengyuan as the Borrower. Pursuant to the Loan Agreement, Beijing Nature has agreed to grant the Loan in the form of a shareholder's loan to Datong Fengyuan.

THE LOAN AGREEMENT

Principal terms of the Loan Agreement are set out as follows:

Date of the agreement:	1 December 2021
Lender:	Beijing Nature
Borrower:	Datong Fengyuan
Principal:	RMB9,500,000
Interest rate:	Interest-free
Maturity date:	7 January 2022
Repayment:	The principal amount to be repaid upon loan maturity
Security:	Unsecured

PROVISION OF THE EXISTING LOANS

Prior to the entering into of the Loan Agreement, Beijing Nature has entered into the Existing Loan Agreements for the grant of the Existing Loans in the form of a shareholder's loan to Datong Fengyuan. A summary of the Existing Loan Agreements is set out as follows:

EXISTING LOAN AGREEMENT A

Date of the agreement:	15 September 2021
Lender:	Beijing Nature
Borrower:	Datong Fengyuan
Principal:	RMB6,900,000
Interest rate:	Interest-free
Maturity date:	7 January 2022
Repayment:	The principal amount to be repaid upon loan maturity
Security:	Unsecured

EXISTING LOAN AGREEMENT B

Date of the agreement:	15 November 2021
Lender:	Beijing Nature
Borrower:	Datong Fengyuan
Principal:	RMB7,400,000
Interest rate:	Interest-free
Maturity date:	7 January 2022
Repayment:	The principal amount to be repaid upon loan maturity
Security:	Unsecured

EXISTING LOAN AGREEMENT C

Date of the agreement:	23 November 2021
Lender:	Beijing Nature
Borrower:	Datong Fengyuan
Principal:	RMB500,000
Interest rate:	Interest-free
Maturity date:	7 January 2022
Repayment:	The principal amount to be repaid upon loan maturity
Security:	Unsecured

SUPPLEMENTAL AGREEMENT

In addition to entering into the Loan Agreement, Beijing Nature and Datong Fengyuan entered into the Supplemental Agreement on 5 January 2022 (after trading hours) in relation to the grant of the Loan and the Existing Loans to Datong Fengyuan. The Supplemental Agreement stipulated that the maturity date of the Loan under the Loan Agreement, and the Existing Loans under the Existing Loan Agreement A, the Existing Loan Agreement B and the Existing Loan Agreement C with a total principal amount of RMB24,300,000 would be postponed from 7 January 2022 to 31 December 2022. The other terms of the Loan Agreement, the Existing Loan Agreement A, the Existing Loan Agreement B and the Existing Loan Agreement C remained unchanged.

FUNDING OF THE LOAN

The Loan is funded by net proceeds from the listing of the Group.

INFORMATION OF AND RELATIONSHIP WITH THE BORROWER

Datong Fengyuan is principally engaged in investment holding, and it wholly owns Lingqiu County Fengyuan, which is principally engaged in wind power generation and sales, and provides working capital for Lingqiu County Fengyuan. Pursuant to the joint venture agreement of Datong Fengyuan, the registered capital of Datong Fengyuan is owned as to 50% by Beijing Nature and Liaoning Hailan, respectively. As the resolution of financial and operating policy required unanimous consent of directors appointed by Beijing Nature and Liaoning Hailan in the board of directors' meeting of Datong Fengyuan, the Group had joint control in Datong Fengyuan and accounted for its interest in Datong Fengyuan and Lingqiu County Fengyuan as joint venture. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Liaoning Hailan and its ultimate beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT, EXISTING LOAN AGREEMENTS AND SUPPLEMENTAL AGREEMENT

The Group is mainly engaged in the research and development, integration, manufacturing and sales of high-voltage pitch control systems for wind turbines, and also provides customized integration services for the main components of pitch control systems. Beijing Nature is a limited liability company established under the laws of the PRC and an operating subsidiary of the Group.

Lingqiu County Fengyuan owns a new decentralized distributed wind farm project located in Lingqiu County, Datong City, Shanxi Province. The construction of the wind farm project requires financial resources. As such, investments were made in form of a shareholder's loan in proportion to Beijing Nature's equity interest in Datong Fengyuan and was made on the same terms as those upon which Liaoning Hainan made its loan

advancement to Datong Fengyuan. The Directors believe that the provision of shareholder loans to meet the construction capital needs of the Lingqiu County Fengyuan projects will facilitate the Lingqiu County Fengyuan wind farm project to be completed and put into operation on schedule, which is beneficial to the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Existing Loan Agreements and the Loan Agreement are fair and reasonable, are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

DISPOSAL OF 50% EQUITY INTEREST IN THE JOINT VENTURE

On 16 December 2021 (after trading hours), Beijing Nature and Liaoning Hailan and Huaneng entered into the Equity Purchase Agreement, pursuant to which, the Vendors agreed to sell the Sale Shares to the Purchaser, and the Purchaser also agreed to purchase the Sale Shares from the Vendors for a total consideration of RMB18,666,900. The Sale Shares were owned 50% as to Beijing Nature and Liaoning Hailan respectively. Upon completion of the Disposal, the Company will cease to have any equity interest in the Target Company, and Beijing Nature will receive half of the total consideration under the Equity Purchase Agreement, being RMB9,333,450.

The summary of the principal terms of the Equity Purchase Agreement are set out below:

Equity Purchase Agreement

Date: 16 December 2021

Parties

Purchaser:	Huaneng
Vendor 1:	Liaoning Hailan
Vendor 2:	Beijing Nature
Target Company:	Datong Fengyuan
Project Company:	Lingqiu County Fengyuan

The Purchaser is a company established in the PRC with limited liability. It is mainly engaged in the investment, construction and operation of new energy projects such as wind power and photovoltaic power generation, both within the PRC and abroad.

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

Disposal of Assets

The Vendors agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendors the Sale Shares. The Sale Shares represented 100% of the registered capital of the Target Company and were owned 50% as to Liaoning Hailan and Beijing Nature respectively. Upon completion of the Disposal, the Group and Liaoning Hailan will cease to have any equity interest in the Target Company.

Set out below is certain unaudited consolidated financial information of the Target Company and the Project Company for the years ended 31 December 2020 and 2019:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Loss before taxation	1,332	434
Loss after taxation	1,332	434
Net asset	834	565

Financial impact of the Disposal

Upon completion of the Disposal, it is estimated that the Group will record a gain of approximately RMB2.3 million which is calculated on the basis of the aggregate consideration of RMB9,333,450 as consideration for the Disposal, and the carrying amount of interests in the Target Company and the Project Company classified as assets held for sale of approximately RMB7 million as at 31 December 2021.

Shareholders should note that the above figures are for illustrative purposes only. The actual gain or loss arising from the Disposal may be different from the above estimation and will be determined based on the book value of the Target Company and the Project Company and the relevant expenses incurred at completion of the Disposal and is subject to review by the Company's auditor.

The Directors are of the view that the Disposal will not have any material adverse impact on the business operations and financial position of the Group.

The proceeds obtained by the Group from the Disposal pursuant to the Equity Purchase Agreement will be used to continue the search for new wind power/photovoltaic/energy storage source and other high-quality projects for investment.

Consideration

The Purchaser and the Vendors audited and evaluated the Sales Shares with 30 September 2021 as the last date of audit and the basis date of evaluation, with reference to the audited net assets and the parties agreed and determined the total consideration for the Sale Shares to be RMB18,666,900.

Payment Terms

Pursuant to the Equity Purchase Agreement, the total consideration of RMB18,666,900 shall be paid as follows:

- (a) The Purchaser shall pay to the Vendors 55% of the total consideration (i.e. RMB10,266,795) within five (5) working days after 16 December 2021. Accordingly, the Purchaser shall pay RMB5,133,397.50 to each Vendor.
- (b) The Purchaser shall pay 45% of the total consideration (i.e. RMB8,400,105) to the Vendors when the Target Project achieves full-capacity grid-connected power generation and within five (5) working days after completion. Accordingly, the Purchaser shall pay RMB4,200,052.50 to each Vendor.

Accordingly, Beijing Nature will receive an aggregate consideration of RMB9,333,450 in accordance with the Equity Purchase Agreement.

Completion

On the premise that certain conditions precedent have been fulfilled or waived, the Purchaser will agree on a specific completion date in accordance with the Equity Purchase Agreement.

Conditions for completion

Completion of the Equity Purchase Agreement shall be subject to the satisfaction of the following conditions precedent:

- (a) Each of the Vendors has obtained the necessary approvals and authorizations to enter into and execute the Equity Purchase Agreement, and has provided the Purchaser with the internal resolution documents made by its competent authority;
- (b) The Target Company has approved the Disposal by way of a shareholders' resolution passed at a shareholders' meeting;
- (c) The Project Company has completed the change of business registration involving the increase of its registered capital to RMB33,780,000, and has been issued a new business license or a notice of approval for registration;

- (d) The Vendors and/or the Target Company have submitted to the Purchaser a description of the processing progress of the preliminary supporting elements of the Target Project, and have obtained the Purchaser's approval;
- (e) The Vendors and/or the Target Company have submitted to the Purchaser a list of wind power equipment and components used in the Target Project (the contents should at least include the brand, model, quantity, manufacturer and supplier of the equipment, and the applicable quality standards, etc.), and obtained the Purchaser's approval;
- (f) The Target Project has achieved full-capacity grid-connected power generation and has obtained the approval from the Shanxi Provincial Forestry Department* (山西省林業廳) on the use of forest land;
- (g) There are no laws, regulations or judgments, rulings, administrative penalties or injunctions of courts or relevant governmental authorities restricting, prohibiting or canceling the Disposal, nor does there exist any pending or potential lawsuits, arbitrations, awards, rulings, administrative penalties or injunctions other than the disclosed matters that adversely affect or will adversely affect the Disposal;
- (h) All representations and warranties made by the Vendors in the Equity Purchase Agreement shall be true, accurate and complete, free from falsehoods, material omissions and not misleading;
- (i) There has been no material adverse effect or material adverse change in all aspects of the Target Company since 30 September 2021;
- (j) The Vendors have fully and duly performed all their obligations under the Disposal that should be performed before the completion date, and there is no failure to perform the aforementioned obligations;
- (k) There has not been or has not occurred events, facts, conditions or other circumstances or those that are reasonably foreseeable which will bring material adverse impact to the assets, liabilities, profit prospects and normal operations of the Target Company and the Target Project since 30 September 2021;
- (l) There has been no material adverse change in the asset structure and status of the Target Company since 30 September 2021;
- (m) The Purchaser and the relevant decision-making body or meeting of Huaneng group have approved the Disposal; and
- (n) No governmental authority has made, issued, promulgated, enforced or passed any law or government order that would render the Disposal unlawful or restrict or prohibit the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

After the Target Project of Lingqiu County Fengyuan obtained the approval from the Datong Municipal Administrative Examination and Approval Service Bureau* (大同市行政審批服務管理局) on 31 December 2019, the pre-construction formalities and preparations for the project were carried out proactively. However, the pre-approval reply for land use issued by the Bureau of Natural Resources and Planning of Datong (大同市規劃和自然資源局) is one of the prerequisites for starting the construction and Lingqiu County Fengyuan only received the pre-approval on 25 September 2021. The construction of the Target Project started on 25 September 2021 and the Target Project must be connected to the electrical grid before 31 December 2021 in order to meet the conditions for inclusion in the national subsidy catalogue. Therefore, the construction timeline of the Target Project was very tight. The Group and Liaoning Hailan have attempted to seek financing from banks or other third parties, but failed to obtain suitable financing as scheduled. The capital investment was limited and insufficient to finance the Target Project. Furthermore, if the Target Project could not be connected to the electrical grid before 31 December 2021, the Target Project would lose the entitlement to on-grid tariff approved in 2019, hence on-grid price of the wind farm and investment income of the Target Project would be greatly reduced. In view of the above circumstances, the Group entered into the Equity Purchase Agreement with Huaneng on 16 December 2021, intending to transfer the entire equity interest of the Group in the Target Project.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Purchase Agreement are fair and reasonable, are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios in relation to the Loan were below 5% at the relevant time, the Loan granted under the Loan Agreement alone did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios in relation to the Existing Loans were below 5% at the relevant time, the Existing Loans granted under the Existing Loan Agreements did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

However, as Datong Fengyuan is the borrower of the Existing Loan Agreements and the Loan Agreement, the grant of the Loan and the Existing Loans are required to be aggregated under Rule 14.22 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan and the Existing Loans granted to Datong Fengyuan under Rule 14.07 of the Listing Rules are above 5% but all of them are below 25%, the grant of the Loan and the Existing Loans in aggregate, as well as the entering into of the Supplemental Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as all applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are above 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Company is aware that the relevant notifiable transactions in relation to the provision of financial assistance under the Loan Agreement and the Supplemental Agreement, as well as the Disposal under the Equity Purchase Agreement in this announcement constitute a delayed announcement under the Listing Rules. The failure to comply with the reporting and announcement requirements under the Listing Rules to announce the discloseable transactions was due to the inadvertent negligence of the management of Beijing Nature, rather than wilful negligence or wilful breach of the Listing Rules. Beijing Nature sincerely acknowledges that it failed to strictly comply with the Group's internal control policies applicable to transactions of this nature and lacked awareness and sensitivity to the relevant regulations, which resulted in the delay in reporting the discloseable transactions. To reduce the risk of such violations recurring, if the Directors and senior management of the Group are in doubt as to the interpretation of the Listing Rules, the Directors and senior management of the Group will consult appropriate professionals before taking any action to ensure that their understanding and interpretation of the Listing Rules are accurate. In addition, the Company will provide further guidance, information and training on notifiable transactions under the Listing Rules to the Directors and senior management of the Group to enhance and consolidate their existing knowledge of notifiable transactions.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Borrower” or “Target Company” or “Datong Fengyuan”	Datong Fengyuan Energy Technology Co., Ltd.* (大同豐沅能源 科技有限公司), a company established in the PRC with limited liability, which is held as to 50% by the Group
“Company”	China Nature Energy Technology Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 1597)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of all the Sale Shares by Beijing Nature and Liaoning Hailan to Huaneng pursuant to the Equity Purchase Agreement
“Equity Purchase Agreement”	The Equity Purchase Agreement dated 16 December 2021 entered into between Beijing Nature, Liaoning Hailan and Huaneng
“Existing Loan A”	a term loan in the amount of RMB6,900,000 provided by the Lender to the Borrower pursuant to the Existing Loan Agreement A
“Existing Loan B”	a term loan in the amount of RMB7,400,000 provided by the Lender to the Borrower pursuant to the Existing Loan Agreement B
“Existing Loan C”	a term loan in the amount of RMB500,000 provided by the Lender to the Borrower pursuant to the Existing Loan Agreement C
“Existing Loans”	Existing Loan A, Existing Loan B and Existing Loan C

“Existing Loan Agreement A”	the loan agreement dated 15 September 2021 entered into between Beijing Nature and Datong Fengyuan in respect of Existing Loan A, the particulars of which are stated in the section headed “Existing Loan Agreement A”
“Existing Loan Agreement B”	the loan agreement dated 15 November 2021 entered into between Beijing Nature and Datong Fengyuan in respect of Existing Loan B, the particulars of which are stated in the section headed “Existing Loan Agreement B”
“Existing Loan Agreement C”	the loan agreement dated 23 November 2021 entered into between Beijing Nature and Datong Fengyuan in respect of Existing Loan C, the particulars of which are stated in the section headed “Existing Loan Agreement C”
“Existing Loan Agreements”	Existing Loan Agreement A, Existing Loan Agreement B and Existing Loan Agreement C
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lender” or “Beijing Nature”	Beijing Nature Heli New Energy Technology Co., Ltd.* (北京納泉合力新能源科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Liaoning Hailan”	Liaoning Hailan Fengyuan New Material Technology Development Co., Ltd.* (遼寧海瀾豐沅新材料科技發展有限公司), a company established in the PRC with limited liability which owns 50% equity interests in Datong Fengyuan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a term loan in the principal amount of RMB9,500,000 granted by the Lender to the Borrower pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 1 December 2021 entered into between Beijing Nature and Datong Fengyuan in respect of the Loan
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Project Company” or “Lingqiu County Fengyuan”	Lingqiu County Fengyuan Energy Technology Co., Ltd.* (靈丘縣豐沅能源科技有限公司), a company established in the PRC with limited liability, and is a wholly-owned subsidiary of the Target Company
“Purchaser” or “Huaneng”	Huaneng Renewables Corporation Limited, a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the issued shares held by each of the Vendors in the Target Company which represent, in aggregate, 100% of the issued shares of the Target Company as at the date of the Equity Purchase Agreement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	The supplemental agreement dated 5 January 2022 entered into between Beijing Nature and Datong Fengyuan in respect of the Loan and the Existing Loans
“Target Project”	the 20MW distributed wind power project in Shijiatian, Lingqiu County, which is invested, developed and constructed by the Project Company
“Vendor(s)”	Beijing Nature and/or Liaoning Hailan
“%”	per cent

By order of the Board
China Nature Energy Technology Holdings Limited
Cheng Liquan Richard
Chairman

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Cheng Liquan Richard and Mr. Cheng Li Fu Cliff, two non-executive Directors, namely, Mr. Wang Lubin and Mr. Li Hao and three independent non-executive Directors, namely, Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng.

* For reference only.