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CENTRAL NEW ENERGY HOLDING GROUP LIMITED

中環新能源控股集團有限公司

(Formerly known as Central Holding Group Co. Ltd. 中環控股集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED DISPOSAL OF 46.67% EQUITY INTEREST IN A SUBSIDIARY

THE EQUITY SUBSCRIPTION AND INVESTMENT AGREEMENT

After trading hours on 29 May 2023, Central Green, an indirect wholly owned subsidiary of the Company, and the Target Company, an indirect wholly owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion, entered into the Equity Subscription and Investment Agreement with the Investor, pursuant to which the Investor agreed to invest in the Target Company in an aggregate amount of RMB700,000,000 (equivalent to approximately HK\$777,000,000), which comprises (i) the conversion of the Loan in the amount of RMB350,000,000 (equivalent to approximately HK\$388,500,000) owing by the Target Company to the Investor into the Conversion Capital of RMB350,000,000 (equivalent to approximately HK\$388,500,000); and (ii) the subscription of RMB350,000,000 (equivalent to approximately HK\$388,500,000) as the Additional Capital by way of cash contribution, representing approximately 46.67% of the enlarged registered capital of the Target Company.

Upon Completion, the Target Company will be owned as to approximately 53.33% by Central Green and approximately 46.67% by the Investor. Accordingly, the Group's equity interest in the Target Company will be diluted from 100% to approximately 53.33% as a result of the Investment. Following the Deemed Disposal, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

LISTING RULES IMPLICATIONS

Immediately following Completion, the equity interest of the Group in the Target Company will be diluted from 100% to approximately 53.33%, representing a decrease of approximately 46.67% of the Group's equity interest in the Target Company. Accordingly, such dilution of the Group's equity interest in the Target Company immediately after Completion is regarded as a deemed disposal by the Group (through Central Green) of its equity interest in the Target Company pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deemed Disposal exceeds 5% but all of them are less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that after trading hours on 29 May 2023, Central Green, an indirect wholly owned subsidiary of the Company, and the Target Company, an indirect wholly owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion, entered into the Equity Subscription and Investment Agreement with the Investor, pursuant to which the Investor agreed to invest in the Target Company in an aggregate amount of RMB700,000,000 (equivalent to approximately HK\$777,000,000), which comprises (i) the conversion of the Loan in the amount of RMB350,000,000 (equivalent to approximately HK\$388,500,000) owing by the Target Company to the Investor into the Conversion Capital of RMB350,000,000 (equivalent to approximately HK\$388,500,000); and (ii) the subscription of RMB350,000,000 (equivalent to approximately HK\$388,500,000) as the Additional Capital by way of cash contribution, representing approximately 46.67% of the enlarged registered capital of the Target Company.

THE EQUITY SUBSCRIPTION AND INVESTMENT AGREEMENT

Principal terms of the Equity Subscription and Investment Agreement are summarised below:

Date

29 May 2023 (after trading hours)

Parties

- (1) Central Green;
- (2) the Target Company; and
- (3) the Investor.

Investment

The Investor shall invest in the Target Company in an aggregate amount of RMB700,000,000, (equivalent to approximately HK\$777,000,000) which comprises (i) the conversion of the Loan in the amount of RMB350,000,000 owing by the Target Company to the Investor into Conversion Capital of RMB350,000,000 (equivalent to approximately HK\$388,500,000); and (ii) the subscription of RMB350,000,000 (equivalent to approximately HK\$388,500,000) as the Additional Capital by way of cash contribution, representing approximately 46.67% of the enlarged registered capital of the Target Company (collectively, the “**Investment**”). Following Completion, the registered capital of the Target Company will be increased from RMB800,000,000 to RMB1,500,000,000.

The Parties have agreed that at the time when the Equity Subscription and Investment Agreement is entered into, the Investor shall have completed the conversion of the Loan into Conversion Capital of RMB350,000,000 and paid up the Additional Capital of RMB350,000,000.

The Investment contributed by the Investor, representing that the consideration payable by the Investor for each additional RMB1.00 of the registered capital of the Target Company is RMB1.00, was determined after arm’s length negotiations between the Parties after taking into consideration, among others, (i) the Loan owing by the Target Company to the Investor in an outstanding principal amount of RMB350,000,000; (ii) the audited net asset value of the Target Company as at 31 December 2022 of approximately RMB97.40 million (equivalent to approximately HK\$108.11 million); and (iii) the amount of additional funding required in the Photovoltaic Project which is expected to be approximately RMB912,000,000 (equivalent to approximately HK\$10,123,200,000).

Shareholding structure

Immediately prior to Completion, Central Green is the sole shareholder of the Target Company holding 100% of the equity interest in the Target Company. As a result of the Investment and immediately following Completion, the shareholding structure of the Target Company is as follows:

No.	Name of shareholders of the Target Company	Capital contribution subscribed	Percentage of shareholding (%) (Approximately)
1.	Central Green	RMB800,000,000	53.33%
2.	The Investor	RMB700,000,000	46.67%
	Total	RMB15,000,000,000	100%

Use of Investment Proceeds

The Investment Proceeds shall not be used for any purpose other than for the daily operation of the Target Company in support of its principal business (i.e. the Photovoltaic Project), or in accordance with the resolution on the capital proposal passed by unanimous approval of its board of directors (the “**Purpose**”).

In the event that any of the Investment Proceeds has been used in contravention of the Purpose, the Investor is entitled to request the Target Company to rectify forthwith the unpermitted use of the Investment Proceeds and if the Target Company fails to rectify such unpermitted use within 60 days after a written request has been given by the Investor, to demand Central Green to repurchase from the Investor the principal amount of the Investment at a price calculated at a simple interest of 6% per annum.

Change of industrial and commercial registration procedures

The Parties agreed that the Target Company shall, at its expenses, delegate personnel to conduct the relevant procedures for the change of industrial and commercial registration (the “**Change of Industrial and Commercial Registration**”). Within 15 business days after the signing of the Equity Subscription and Investment Agreement, all relevant procedures for the Change of Industrial and Commercial Registration in relation to the Investment shall be completed. If the Target Company fails to have such procedures timely completed for more than 30 working days, the Investor will be entitled to request the Target Company to rectify such failure and complete the relevant procedures as soon as possible.

Completion

Completion shall take place after settlement of the Investment amount and completion of the Change of Industrial and Commercial Registration.

The Photovoltaic Project

Upon the signing of the Equity Subscription and Investment Agreement, Central Green and the Target Company collectively undertook, *inter alia*, that the Target Company shall be responsible for the development of the Photovoltaic Project and shall have photovoltaic cells and modules as well as its ancillary technology as its major target of research and development and manufacturing. The Parties further undertook that the Target Company shall be the sole entity used for future listing or strategic merger and acquisition, and shall, after considering the time to be spent and the costs to be incurred in such plan, actively coordinate with the Investor to achieve such goal.

Other principal terms of the Equity Subscription and Investment Agreement

(1) Composition of the board of directors

The board of directors of the Target Company shall comprise seven members, of which one member shall be nominated by the Investor and the remaining six members (including the chairman of the board of directors) shall be nominated by Central Green.

(2) Supervisor

The Investor shall have the right to nominate the supervisor of the Target Company.

(3) Legal representative

The legal representative of the Target Company shall be designated and appointed by Central Green.

(4) Meeting(s) of shareholders

The shareholders' meeting(s) of the Target Company shall be convened by its board of directors and chaired by the chairman of the board of directors. At such meeting(s), the shareholders shall exercise their voting rights according to their respective holding of equity interests in the Target Company.

(5) Quorum

The quorum at a meeting of the board of directors of the Target Company shall be not less than five directors.

The quorum at a general meeting of the shareholders of the Target Company shall be shareholder(s) holding not less than 50% of the voting rights of the Target Company.

(6) Restriction on transfer, right of first refusal and tag-along right

During the period when the Investor holds any equity interest in the Target Company, Central Green shall not, directly or indirectly, sell, grant, transfer, assign, hold in trust, charge, pledge, encumber or otherwise dispose of any equity interest it holds in the Target Company, other than (i) any dilution of its equity interests in the Target Company owing to introduction of new investor(s); (ii) for the purpose of employee incentive share scheme, share award or option; or (iii) for the satisfaction of those financing requirement(s) imposed by relevant financial institutions necessary for the Target Company's operation.

If Central Green or the Investor (the “**Transferring Shareholder**”) intends to transfer all or any part of its equity interest in the Target Company to an unrelated third party, the shareholder of the Target Company (other than the Transferring Shareholder) shall have the right of first refusal to acquire such equity interest proposed to be transferred from the Transferring Shareholder. In case of any transfer to a related third party, the other Party shall consent to waive such right of first refusal.

In the event that Central Green intends to transfer its equity interest in the Target Company, the Investor shall have the right, upon the same terms and conditions, to participate in such sale on a pro rata basis until the Investor no longer holds any equity interest in the Target Company.

(7) *Anti-dilution*

In the event that the Target Company introduces any new investors by whatsoever means, the Target Company shall ensure that the investment price to be paid by any such new investors shall not be lower than the actual investment price paid by the Investor for the Investment under the Equity Subscription and Investment Agreement.

(8) *Liquidation preference right*

Upon occurrence of any event of liquidation of the Target Company (such as realisation of assets including merger, being acquired, disposal of controlling stake, disposal of major asset or cessation of business), the Investor shall be entitled to preferential distribution over the other shareholder to receive its actual investment amount together with any dividend.

(9) *Intellectual Property Rights*

Unless otherwise specified in the Equity Subscription and Investment Agreement, the Target Company shall be the sole owner of all rights and titles of the relevant intellectual property rights and licence rights of or under any names, brands, trademarks, patents, product names and brands, website name, domain name, technology and operating licences of the Target Company upon and after the signing of the Equity Subscription and Investment Agreement.

(10) *Default*

In case of any failure of a Party to perform any of its material duties and obligations (including representations, warranties and undertakings) or any representation or warranty under the Equity Subscription and Investment Agreement being untrue and inaccurate in any material respect, it would constitute a default under the Equity Subscription and Investment Agreement (the “**Default**”). The non-defaulting Party shall give a written notice to the defaulting Party informing the occurrence of such Default and the defaulting Party shall remedy such default within 60 days from the date of such written notice. Otherwise, the non-defaulting Party shall be entitled to any remedial rights under the Equity Subscription and Investment Agreement (including but not limited to a default payment calculated at 0.01% of the total investment amount per day payable by the defaulting Party to the non-defaulting Party).

INFORMATION AND FINANCIAL INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 26 July 2022 and an indirect wholly owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion. It is principally engaged in, among others, (i) green building and ecological habitat development; (ii) new energy and engineering, procurement and construction of photovoltaic products (“EPC”), for a permanent operating period.

The audited financial information of the Target Company for the financial year ended 31 December 2022 which was prepared in accordance with China Accounting Standards for Business Enterprises are as follows:

**For the period
from the date of its
establishment up to
31 December
2022**
(Audited)
RMB'000
(Approximately)

Revenue	28,456
Net (loss) before tax	(2,551)
Net (loss) after tax	(2,603)

As at 31 December 2022, the audited net asset value of the Target Company was approximately RMB97.4 million (equivalent to approximately HK\$108.1 million).

INFORMATION ON CENTRAL GREEN AND THE INVESTOR

Central Green

Central Green is a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in investment holding.

The Investor

The Investor is a company established in the PRC with limited liability. It is principally engaged in building and construction works, property development, tourism business, urban greening management, urban design management and public services administration.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor is wholly owned by 鳳台縣人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the Fengtai County People's Government*), and each of the Investor and its ultimate beneficial owner is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY SUBSCRIPTION AND INVESTMENT AGREEMENT AND THE DEEMED DISPOSAL

The Group is principally engaged in the business of (i) building works and construction related business in the PRC and Hong Kong; (ii) food and beverage supply chain; (iii) health and wellness; (iv) smart logistic and information technology system; and (v) new energy and EPC.

As disclosed in the annual report of the Company for the year ended 31 December 2022 which was published on 28 April 2023, the Group has already begun to seek for new green energy business opportunities in the third quarter of 2022 in order to obtain higher returns for the Shareholders. In particular, the Group has purchased two fully automatic production lines for photovoltaic modules in September 2022 and commenced manufacturing and sales of photovoltaic components since December 2022. The Group is also expanding into manufacturing and sales of photovoltaic battery in 2023.

The Board believes that the entering into of the Equity Subscription and Investment Agreement is beneficial to the future growth of the Group's new energy and EPC business by (i) introducing additional source of capital and funding to the Target Company which is principally engaged in the EPC business, and in particular, the Photovoltaic Project, (ii) allowing the Group to leverage its experience and capabilities in the new energy photovoltaic products market, and (iii) diversifying the corporate profile of the Target Company, thereby enhancing its reputation and increasing its ability in attracting future investors and strategic partners who can produce synergy for the Target Company in terms of business expansion and/or obtaining financing from financial institutions.

In addition, the Investor is a state-owned enterprise principally engaged in building and construction works and property management. The Board believes that the Investor, which will become a shareholder of the Target Company upon Completion, can bring tax incentives, policy assistance as well as resources and support to the operations of the Target Company, which will in turn help generate growth momentum for the development and expansion of the Target Company's new energy and EPC business.

In view of the foregoing and taking into account that the Group will continue to hold the majority shareholding of, and thus maintain control over, the Target Company through Central Green after Completion, the Board considers that the effect of the dilution of the Group's equity interest in the Target Company as a result of the Investment is justified. Having considered the above, the Directors are of the view that the terms of the Equity Subscription and Investment Agreement are fair and reasonable, and the entering into of the Equity Subscription and Investment Agreement and the transactions contemplated thereunder (including but not limited to the Deemed Disposal) are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DEEMED DISPOSAL

Upon Completion, the Target Company will be owned as to approximately 53.33% by Central Green and approximately 46.67% by the Investor. Accordingly, the Group's equity interest in the Target Company will be diluted from 100% to approximately 53.33% as a result of the Investment.

Following the Deemed Disposal, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

The Company does not expect to record any significant gain or loss on the Deemed Disposal. In any event, the actual gain or loss as a result of the Deemed Disposal to be recorded by the Group is to be determined as at Completion and subject to audit. The Group will not receive any proceeds from the Deemed Disposal.

LISTING RULES IMPLICATIONS

Immediately following Completion, the equity interest of the Group in the Target Company will be diluted from 100% to approximately 53.33%, representing a decrease of approximately 46.67% of the Group's equity interest in the Target Company. Accordingly, such dilution of the Group's equity interest in the Target Company immediately after Completion is regarded as a deemed disposal by the Group (through Central Green) of its equity interest in the Target Company pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deemed Disposal exceeds 5% but all of them are less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Additional Capital”	the registered capital of the Target Company in the amount of RMB350,000,000 (equivalent to approximately HK\$388,500,000) to be subscribed and paid up by the Investor under the Equity Subscription and Investment Agreement
“Board”	the board of Directors
“Central Green”	Central Green Building & Energy Resources Group (HK) Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly owned subsidiary of the Company

“Company”	Central New Energy Holding Group Limited (formerly known as Central Holding Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 1735)
“Completion”	completion of the Investment pursuant to the Equity Subscription and Investment Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Conversion Capital”	the registered capital of the Target Company in the amount of RMB350,000,000 (equivalent to approximately HK\$388,500,000) to be subscribed by the Investor by way of conversion of the Loan under the Equity Subscription and Investment Agreement
“Deemed Disposal”	the deemed disposal of 46.67% equity interest in the Target Company held by Central Green resulting from the dilution of its equity interest in the Target Company as a result of the Investment
“Director(s)”	director(s) of the Company
“Equity Subscription and Investment Agreement”	the equity subscription and investment agreement (股權認購及投資協議) dated 29 May 2023 entered into among Central Green, the Target Company and the Investor in relation to, among others, the Investment (as amended and supplemented by the Supplemental Equity Subscription and Investment Agreement), which shall take effect upon signing
“Group”	the Company and its subsidiaries
“GW”	Gigawatt
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Investment Proceeds”	RMB700,000,000 (equivalent to approximately HK\$777,000,000), being the proceeds from the Investment contributed by the Investor to the Target Company
“Investor”	安徽州來控股(集團)有限公司 (Anhui Zhoulai Holding (Group) Co., Ltd.*), a company established in the PRC with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the outstanding principal amount of RMB350,000,000 (equivalent to approximately HK\$388,500,000) owing by the Target Company to the Investor as at the date of this announcement, which shall be converted into Conversion Capital pursuant to the Equity Subscription and Investment Agreement
“Party(ies)”	party(ies) to the Equity Subscription an Investment Agreement
“Photovoltaic Project”	the project of the Target Company in relation to the investment in, and construction of, 12GW High Efficient Model N photovoltaic cells and 10GW advanced modules located in 中國鳳台經濟開發區鳳凰湖產業園 (Fenghuanghu Industrial Park of Fengtai Economic Development Zone in the PRC*)
“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\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Equity Subscription and Investment Agreement”	the supplemental equity subscription and investment agreement (股權認購及投資協議之補充協議) dated 29 May 2023 entered into among Central Green, the Target Company and the Investor in relation to an increase of capital contributed by the Investor to the Target Company, in aggregate, from RMB600,000,000 (equivalent to approximately HK\$666,000,000) to RMB700,000,000 (equivalent to approximately HK\$777,000,000), which shall take effect upon signing

“Target Company” 中環中清(安徽)新能源光伏科技有限公司 (Zhonghuan Zhongqing (Anhui) New Energy Photovoltaic Technology Co., Ltd.*), a company established in the PRC with limited liability, and an indirect wholly owned subsidiary of the Company as at the date of this announcement and immediately prior to the Completion

“%” per cent

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

Hong Kong, 29 May 2023

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\$1.11, and is used for illustration purpose only, which does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

* For identification purposes only