Concord New Energy Group Limited
協合新能源集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 182)

FURTHER ANNOUNCEMENT (1) THE DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE TARGET COMPANY (2) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60 OF THE LISTING RULES

Reference is made to the announcement of Concord New Energy Group Limited (the "**Company**") dated 27 October 2023 (the "**Announcement**") in relation to, among others, the disposal of 28.75% shareholding interest in the Target Company. Unless the context otherwise requires, terms defined in the Announcement shall have the same meaning when used herein.

As disclosed in the Announcement, the Consideration was determined based on the Valuation set out in the Valuation Report (i.e. 28.75% multiplied by the Valuation of approximately RMB325.29 million), and arrived at after arm's length negotiation between Beijing Juyang and Xizang Dingyu. According to the Valuation Report, the appraised value of the entire equity interest of the Target Company as at the Valuation Date was determined using the discounted cash flow method of the income approach. Details of the income approach are summarised below.

1. INCOME APPROACH FOR THE VALUATION OF THE TARGET COMPANY

1.1 Introduction to income approach valuation

(1) Basic valuation ideas

The basic idea of this valuation is to estimate the value of total shareholders' equity based on the historical financial statements of the Target Company.

(2) Valuation model

1) Basic model

The basic model of this valuation is:

E=B - D

In the formula:

E: Value of total shareholders' equity of the valuation target

B: Enterprise value of the valuation target

D: Value of interest-bearing debts of the valuation target

2) Income period

As the Target Company is in normal operation and there will be no factors affecting the going concern in the foreseeable future, the period of income is perpetual. Based on the Target Company's production and sales forecast data, and taking into account that the Target Company will have entered a period of stable development and that the several number of years of high growth since the reference date will have already passed, the perpetual income and cost from 2029 onwards are maintained at 2028 levels, and the terminal growth rates of the income and cost of the Target Company are both estimated to be 0%.

3) Discount rate

This valuation adopts the weighted average cost of capital (WACC) model to determine the discount rate.

2. FINANCIAL FORECAST

The financial forecast and related forecasts of the Target Company mainly consist of the following:

2.1 Operating income

The operating income of the Target Company derives from traditional operation and maintenance, equipment sales, consultation services, data products and services, technology and technical supervision, offshore operation and maintenance, integrated energy, power trading and engineering construction.

The compound annual growth rate of the Target Company's operating income from 2023 to 2028 is 9.8%, which is determined with reference to the operation and maintenance services external market order acquisition estimate and the service capabilities that the Target Company can provide.

2.2 Operating costs

Operating costs represent inventory costs carried over from sales business. Operating costs mainly include labor costs, depreciation and amortization, utilities, travel expenses, service fees and other costs. The gross profit margin adopted in the future costs of the Target Company is estimated based on factors such as its business, customer size, industry level and future overall development plan.

The compound annual growth rate of the Target Company's operating costs from 2023 to 2028 is 10.2%, which is determined with reference to the comprehensive forecast based on the historical business scale, the predicted revenue growth, the predicted labor cost, and management difficulty.

2.3 Tax expense

Some companies included in the consolidation scope enjoy a preferential corporate income tax rate of 15%. It is assumed that those companies can still meet the recognition criteria for high-tech enterprises and enjoy preferential income tax rate policies within the prediction period after the expiration of their current high-tech enterprise certificates, and it is assumed that the relevant policies for the deduction ratio of R&D expenses will continue. Other companies are subject to an income tax rate of 25%. Their taxable income for each period is calculated at the respective income tax rates based on their respective total forecast profit.

In addition to income tax, other taxes and surcharges are also included.

2.4 Period expenses (selling expenses, administrative expenses and R&D expenses)

Period expenses mainly include labor costs, depreciation and amortization, business entertainment expenses, leasing fees and other related expenses. Labor costs are calculated based on historical scale and future operating scale. Depreciation and amortization are determined based on the status of fixed assets and intangible assets and the accounting depreciation and amortization period. Leasing fees are estimated based on the leasing contracts and operating conditions of the Target Company. Other expenses are estimated by the Target Company with reference to historical financial information, past experience, its historical proportion to operating income as well as future development plan.

2.5 Finance expenses

Financial expenses mainly include interest expenses. It also includes exchange gains and losses, interest income and handling fees. The borrowings of the entity in the coming years are forecast based on its existing borrowings, business plan and capital needs and its interest expenses in the coming years are forecast with reference to the existing interest rate of corporate loans. Financial expenses other than interest expenses are non-recurring in nature.

2.6 Capital expenditure

The assumptions used in this income approach include, among others, future income period. For fixed assets and intangible assets currently used, renewal expenditure shall be expended upon the expiration of the economic useful life. The forecast is made with reference to the capital expenditure incurred by renewal of existing fixed assets and intangible assets, as well as the depreciation and amortization expenses provided each year and new asset plans of the entity.

The cumulative capital expenditure of the Target Company from 2023 to 2028 is RMB131.83 million.

2.7 Asset turnover rate

Based on the historical financial information of 2022 and past experience, the management of the Target Company estimates the turnover rates of receivables, inventories and payables as follows:

Items	**Turnover rate (times)**
Receivables	2.22
Inventories	9.12
Payables	7.40

2.8 Discount rate

(1) Risk-free return rate (rf)

The risk-free return rate is the average yield to maturity of treasury bonds with the remaining life of more than 10 years on or about the valuation reference date, being 3.59%.

(2) Market risk premium (rmf)

The market risk premium is 5.47%, which is calculated based on the year-end indices of the Shanghai Composite Index* (上證綜合指數) and the Shenzhen Component Index* (深證成份指數) and the market risk-reward ratio of the stock market.

(3) ße

In view of the industry of the valuation target, the Beta coefficient forecast data is shown in the following table:

	Forecast data						
Item	**July-December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 to perpetual**
ße	0.8877	0.8911	0.8909	0.8909	0.8908	0.8908	0.8908

(4) Cost of equity capital (re)

This valuation takes into account the characteristic individual risks that may arise from the differences between the valuation target and comparable listed companies in terms of, among others, financing conditions, capital liquidity and corporate governance structure as well as future capital and debt results of the entity, assuming the adjustment coefficient of characteristic risks of the entity $\varepsilon = 3.50\%$.

(5) The rate of return on equity capital is as follows:

	Forecast data						
Item	**July-December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 to perpetual**
Ke (equity capital)	11.95%	11.96%	11.96%	11.96%	11.96%	11.96%	11.96%

The rate of return on equity capital from 2029 to perpetual is based on the comprehensive calculations using figures including the yield to maturity of medium-term and long-term treasury bonds issued by the People's Bank of China that have not yet matured and the average compound annual growth rate of the Shenzhen Stock Exchange Index* (深證指數) and the Shanghai Stock Exchange Index* (上證指數).

(6) Discount rate (WACC)

The target capital structure D/E on the valuation reference date in the industry is 6.55%, which is calculated based on industry data from Royal Flush* (同花順).

Due to different income tax rates applicable to various companies included in the valuation scope, the consolidated income tax rate is used as the discount rate. The estimated annual discount rates are set out in the table below:

	Forecast data						
Item	**July-December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 to perpetual**
Discount rate (WACC)	11.37%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%

3. SENSITIVITY ANALYSIS

An analysis of the sensitivity of the Target Company's market value to the change in discount rate is as follows:

Amount unit: RMB0'000

	Change in discount rate						
Discount rate	**-1.5%**	**-1%**	**-0.5%**	**Current discount rate**	**0.5%**	**1%**	**1.5%**
	33,520.92	33,186.68	32,855.94	32,528.63	32,204.71	31,884.13	31,566.84
Amount of difference	992.29	658.05	327.31	–	-323.92	-644.50	-961.79
Ratio of difference	3.05%	2.02%	1.01%	–	-1.00%	-1.98%	-2.96%

Due to the relatively high leveraging level and current business scale of the Target Company, the equity value is more sensitive to discount rate.

4. REMARKS

Unless otherwise stated, all monetary amounts are stated in RMB.

Figures may not sum due to rounding.

5. RESULTS OF VALUATION

Based on the approaches employed and analysis stated above, the value of total shareholders' equity of the Target Company as at the valuation reference date, i.e. 30 June 2023, is RMB325,290,000.

Service Agreements

The contract amount of each of the Service Agreements is between RMB25,000 and RMB6.5 million per annum, and the installed capacity of power plants under each of the Service Agreements is between 1MW and 350MW. The main services provided under the Service Agreements are equipment and facility management and maintenance, fault repair, preventive testing, data analysis and early warning services, centralized monitoring, smart energy monitoring and analysis, and software technology development and services.

For and on behalf of
Concord New Energy Group Limited
Chan Kam Kwan, Jason
Company Secretary

Hong Kong, 14 November 2023

As at the date of this announcement, the Board comprises Mr. Liu Shunxing (Chairman), Ms. Liu Jianhong (Vice Chairperson), Mr. Gui Kai (Chief Executive Officer), Mr. Niu Wenhui, Mr. Zhai Feng and Ms. Shang Jia (all of above are executive Directors), Mr. Wang Feng (who is a non-executive Director), and Mr. Yap Fat Suan, Henry, Dr. Jesse Zhixi Fang, Ms. Huang Jian, Mr. Zhang Zhong and Ms. Li Yongli (who are independent non-executive Directors).

* *For identification purposes only*