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CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED

中國智慧能源集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

(I) TERMINATION OF AGREEMENT

AND

(II) MAJOR TRANSACTION – DISPOSAL OF A SUBSIDIARY

THE TERMINATION

Reference is made to the announcements of the Company dated 3 December 2020, 24 December 2020 and 14 January 2021 in relation to the disposal of a subsidiary (the “**First Disposal**”).

The Board wishes to announce that on 27 January 2021, after further consideration of all the circumstances surrounding the First Disposal and due to the unfulfillment of certain conditions, 上海國之杰智慧能源有限公司 (Shanghai Gorgeous Smarter Energy Company Limited*) (as the seller of the First Disposal) has decided to exercise its right to terminate the agreement of the First Disposal (the “**First Agreement**”) by way of written notice, as such, the First Agreement shall cease to have effect and neither the buyer nor the seller shall have any obligations and liabilities toward each other thereunder.

THE DISPOSAL

The Board announces that on 27 January 2021 (after trading hours), the Seller and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire (i) the Sale Shares, representing the entire issued share capital in Jinchang Disheng and (ii) the Sale Loan at the Consideration of RMB350 million in cash. Upon Completion, the Company will not hold any interest in Jinchang Disheng and Jinchang Disheng will cease to be a subsidiary of the Company. The financial results of Jinchang Disheng will no longer be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Disposal exceeds 25% but are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders’ approval requirements.

GENERAL

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder. A circular containing, among other, (i) further details of the Disposal and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) a notice of the SGM will be dispatched to the Shareholders as soon as practicable, which is expected to be on or before 19 February 2021 to allow sufficient time for the preparation of the relevant information for inclusion in the circular. If additional time is required for the Company to prepare and finalize certain information to be included in the circular, further announcement will be made by the Company as and when appropriate.

As the Completion is conditional upon the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

THE TERMINATION

Reference is made to the announcements of the Company dated 3 December 2020, 24 December 2020 and 14 January 2021 in relation to the disposal of a subsidiary (the “**First Disposal**”).

The Board wishes to announce that on 27 January 2021, after further consideration of all the circumstances surrounding the First Disposal, and due to unfulfillment of certain conditions, 上海國之杰智慧能源有限公司 (Shanghai Gorgeous Smarter Energy Company Limited*) (as the seller of the First Disposal) has decided to exercise its right to terminate the agreement of the First Disposal (the “**First Agreement**”) by way of written notice, as such, the First Agreement shall cease to have effect and neither the buyer nor the seller shall have any obligations and liabilities toward each other thereunder.

THE DISPOSAL

The Board announces that, on 27 January 2021 (after trading hours), the Seller and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire (i) the Sale Shares, representing the entire issued share capital in Jinchang Disheng and (ii) the Sale Loan at the Consideration of RMB350 million in cash.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set forth below

Date

27 January 2021

Parties

- (i) Seller: 青島谷欣電力投資有限公司 (Qingdao Guxin Electricity Investment Company Limited*), an indirect wholly-owned subsidiary of the Company
- (ii) Buyer: 甘肅錦泰電力有限責任公司 (Gansu Jintai Electricity Company Limited*)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Buyer and its ultimate beneficial owners are Independent Third Parties.

Subject matters of the Disposal

Pursuant to the Sale and Purchase Agreement, the Buyer has conditionally agreed to acquire and the Seller has conditionally agreed to sell (i) the Sale Shares, representing the entire issued share capital in Jinchang Disheng and (ii) the Sale Loan.

Details of Jinchang Disheng are included under the paragraph headed "Information on Jinchang Disheng and the Buyer" in this announcement.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration for the Disposal is RMB350 million.

(a) Payment of the Consideration

The Consideration shall be payable by the Buyer to the Seller in the following manners:

- (i) First payment: RMB300 million shall be paid into the Designated Account(s) within 7 Business Days upon satisfaction of the First Payment Condition; and
- (ii) Second payment: RMB50 million shall be paid to the Seller within 7 Business Days upon the first anniversary of the Completion and upon the Seller's satisfaction of continuing obligations specified in the Sale and Purchase Agreement;

The amount of the second payment is subject to the outcome of the Jinchang Disheng Legal Proceedings. Where a judgement is issued against Jinchang Disheng, the judgement debt shall be borne by the Seller. The Buyer is entitled to deduct the amount of the judgment debt from the second payment should the Seller fail to settle it.

(b) Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Seller and the Buyer and on normal commercial terms. In reaching the Consideration, the Group took account of the availability of cash to settle the Group's outstanding debts and reference was made to the unaudited consolidated net asset value (total assets minus total liabilities) of Jinchang Disheng as at 31 December 2020 of approximately RMB544 million. The Consideration represents a discount of approximately 48.6% to the sum of the unaudited net asset value and the Sale Loan, or approximately RMB332 million. The Directors consider that the discount is reasonable for the following reasons:

- (i) due to the insufficient demand in the Gansu area and the limitations in electricity transmission capability, Jinchang Disheng has been operating at the curtailment rate of 10% to 20% over the years, as such, the actual production of electricity represented a discount of approximately 10% to 20% of the production capacity;
- (ii) as a measure to alleviate the curtailment situation in the Gansu area, the local government has implemented policies to boost actual production and lower the curtailment rate. In particular, the local government encouraged trading of electricity through the marketisation of electricity, as a result, the actual rate of transaction for Jinchang Disheng's electricity has been lowered from RMB1 Yuan per kilowatt hour to approximately RMB0.85 Yuan per kilowatt hour, representing a discount of 15%, with the market expecting a further decrease in the actual rate of transaction; and
- (iii) the Buyer is able to provide a large installment upfront which allows the Group to repay its debts and would place the Company in a better position to negotiate with the Winding-up Petitioners for reaching settlement agreements.

Based on the aforementioned, the Directors consider that the Consideration is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions precedent:

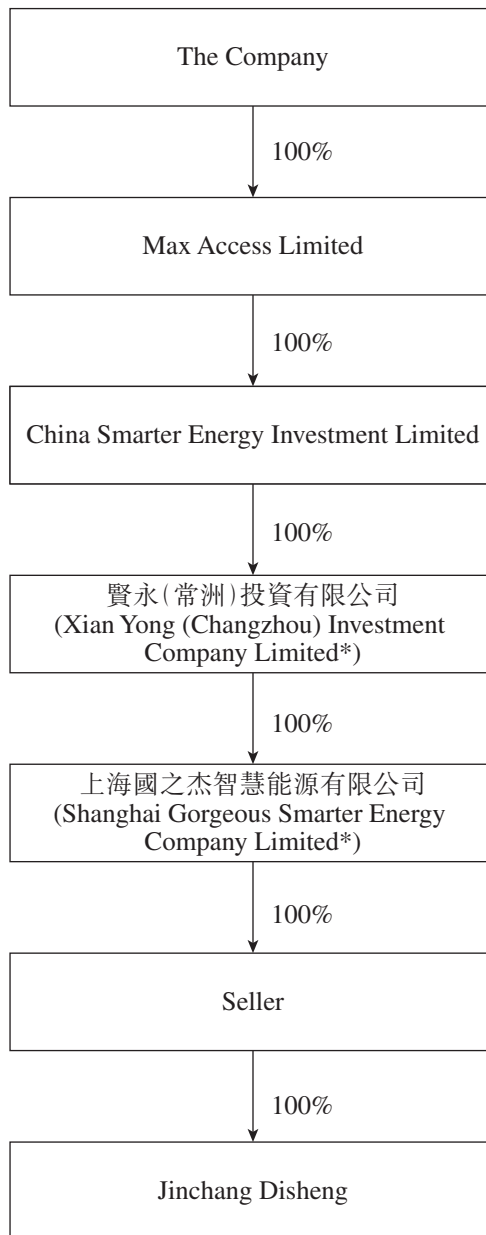
- (a) the Seller obtaining all necessary approvals and documentations in accordance with the Listing Rules, including the approval from the Shareholders of the Company in the SGM;
- (b) the Seller obtaining the consents from the Winding-up Petitioners and that the High Court of Hong Kong has granted a validation order for the Disposal or the Winding-up Petitioners have withdrawn their respective winding-up petitions;
- (c) The Export-Import Bank of China having agreed to release the Jinchang Disheng Pledge; and
- (d) the Buyer having made the first payment of the Consideration totalling RMB300 million into the Designated Account(s).

Completion

Completion shall take place upon (i) completion of the registration procedures regarding the Disposal with the relevant administrative authority for industry and commerce in the PRC; and (ii) completion of the Operation Handover. The Parties shall duly file the application for registration at a date to be agreed between the Parties, but in any event within 3 days upon the satisfaction of the conditions precedent.

INFORMATION ON JINCHANG DISHENG AND THE BUYER

The following diagram illustrates the shareholding structure of Jinchang Disheng as at the date of this announcement:



Jinchang Disheng

Jinchang Disheng is, a company incorporated in the PRC, a wholly-owned subsidiary of the Seller and an indirect wholly-owned subsidiary of the Company and it is principally engaged in the operation of solar power plant.

Financial information of Jinchang Disheng

Set out below is the unaudited consolidated financial information of Jinchang Disheng for each of the two financial years ended 31 December 2019 and 2020:

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>
Revenue	107,201	99,421
Net profit before taxation	22,347	16,432
Net profit after taxation	22,238	15,593

As at 31 December 2020, the unaudited consolidated net asset value of Jinchang Disheng was approximately RMB544 million.

Information of the Buyer

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Buyer is a company established in the PRC and is principally engaged in hydropower, wind power and power plants operation management.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

The Company is an investment holding company and the Group is principally engaged in clean energy business and investment business, including the investment, operation and management of solar power plants.

Upon Completion, the Company will cease to hold any interest in Jinchang Disheng and Jinchang Disheng will cease to be a subsidiary of the Company. The financial results of Jinchang Disheng will no longer be consolidated into the Group's financial statements.

The Consideration of the Disposal is RMB350 million and the aggregate of the estimated carrying value of the net assets of Jinchang Disheng as at 31 December 2020 is approximately RMB544 million, thus, upon completion, the Company expects to recognize an unaudited loss of approximately RMB332 million, representing the difference between the net proceeds of the Disposal of approximately RMB349.89 million and the sum of the carrying value of the assets in the accounts of Jinchang Disheng and the Sale Loan.

Shareholders should note that the actual loss from the Disposal will depend on, among others, (i) the carrying value of the net assets of Jinchang Disheng as at the date of Completion; and (ii) the transaction cost including tax effect for the Disposal, and therefore may be different from the amount mentioned above.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As at the date of this announcement, and with reference to the announcements of the Company dated 15 May 2020, 20 May 2020 and 10 July 2020 (the “**Announcements**”), the Company has received two winding-up petitions, being the Cheer Hope Petition and the AI Global Petition respectively. The Disposal would generate an immediate cash inflow of RMB300 million and would allow the Company to repay its debts and would place the Company in a better position to negotiate with the Winding-up Petitioners for reaching settlement agreements.

Taking into consideration the aforesaid, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

Upon Completion, the gross proceeds and net proceeds of the Disposal will be RMB350 million and approximately RMB349.89 million, respectively. The Board intends to apply the net proceeds for the repayment of debt and working capital of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Disposal exceeds 25% but are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders’ approval requirements.

GENERAL

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder. A circular containing, among other, (i) further details of the Disposal and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the SGM will be dispatched to the Shareholders as soon as practicable, which is expected to be on or before 19 February 2021.

As the Completion is conditional upon the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“AI Global”	AI Global Investment SPC (formerly known as Haitong Global Investment SPC III) acting on behalf of and for the account of AI Investment Fund S.P. (formerly known as Haitong Dynamic Investment Fund II S.P.), an exempted company incorporated with limited liability under the laws of Cayman Islands
“AI Global Petition”	the winding-up petition dated 9 July 2020 issued by AI Global being the petitioner against the Company, concerning a sum of US\$7,600,666.67
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (not being a Saturday or Sunday or public holiday) when banks generally are open in PRC for the transaction of general banking business
“Buyer”	甘肅錦泰電力有限責任公司 (Gansu Jintai Electricity Company Limited*), a company incorporated in the PRC
“Cheer Hope”	Cheer Hope Holdings Limited, a limited company incorporated under the laws of British Virgin Islands
“Cheer Hope Petition”	the winding-up petition dated 15 May 2020 issued by Cheer Hope being the petitioner against the Company, concerning a sum of US\$26,401,747.22
“Company”	China Smarter Energy Group Holdings Limited, a company incorporated under the laws of Bermuda as an exempted company with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1004)
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	means the consideration of RMB350 million, payable by the Buyer to the Seller for the Disposal by two payments pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Designated Account(s)”	the bank account(s) designated by the Seller for the receipt of the Consideration

“Directors”	the directors of the Company from time to time
“Disposal”	the disposal of (i) the Sale Shares and (ii) the Sale Loan, pursuant to the terms and conditions of the Sale and Purchase Agreement
“First Payment Condition”	means completion of the Operation Handover
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Jinchang Disheng”	金昌迪生太陽能發電有限公司 (Jinchang Disheng Solar Energy Company Limited*), a company incorporated in the PRC, a wholly owned subsidiary of the Seller and an indirect wholly-owned subsidiary of the Company
“Jinchang Disheng Legal Proceedings”	the receipt of an arbitration petition dated 11 October 2019 to Jinchang Disheng for an aggregate amount of approximately RMB21.99 million
“Jinsheng Disheng Pledge”	the pledge of the Sale Shares by the Seller to the Export-Import Bank of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operation Handover”	the handover of operation in Jinchang Disheng pursuant to the terms of the Sale and Purchase Agreement. For the avoidance of doubt, the change of directors, supervisor and senior management of Jinchang Disheng shall be processed and registered at the Completion
“Parties”	collectively, the Seller and the Buyer, being the parties to the Sale and Purchase Agreement, and each a “Party”
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the sale and purchase agreement in respect of the Disposal dated 27 January 2021 between the Seller and the Buyer
“Sale Loan”	the outstanding shareholder’s loan of approximately RMB138.48 million due from Jinchang Disheng to 上海國之杰智慧能源有限公司 (Shanghai Gorgeous Smarter Energy Company Limited*), a company incorporated in the PRC and the holding company of the Seller
“Sale Shares”	the entire issued share capital in Jinchang Disheng
“Seller”	青島谷欣電力投資有限公司 (Qingdao Guxin Electricity Investment Company Limited*), a company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company holding the 100% interest in Jinchang Disheng
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Disposal and the transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“Share(s)”	share(s) of HK\$0.0025 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	U.S. dollar, the lawful currency of the U.S.
“U.S.”	the United States of America
“Winding-up Petitioners”	collectively, Cheer Hope and AI Global, being winding-up petitioners against the Company, and each a “Winding-up Petitioner”
“%”	per cent.

By order of the Board
China Smarter Energy Group Holdings Limited
Zhang Liang
Chairman and Chief Executive Officer

Hong Kong, 27 January 2021

As at the date of this announcement, Mr. Zhang Liang, Mr. Hu Hanyang, Mr. Weng Xiaoquan, Mr. Bo Dateng and Mr. Chen Xiakuan are the executive directors of the Company; and Mr. Lam Cheung Mau, Mr. Pun Hau Man and Mr. Wang Yuzhou are the independent non-executive directors of the Company.

* For identification purposes only