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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01165)**

## **DISCLOSEABLE TRANSACTION**

The Board is pleased to announce that on 20 September 2016 (after trading hours), the Seller, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement in relation to the Proposed Disposal. Pursuant to the Sale and Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase 100% equity interest in the Target Company at the consideration of RMB409,482,600 (subject to adjustment).

As certain applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

**As the Proposed Disposal is subject to the fulfilment of certain conditions precedent and may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 20 September 2016 (after trading hours), the Seller, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement in relation to the Proposed Disposal, being the disposal of 100% equity interest in the Target Company by the Seller to the Purchaser.

## THE SALE AND PURCHASE AGREEMENT

The principle terms of the Sale and Purchase Agreement are as follows:

Date : 20 September 2016

Parties : (i) Seller  
(ii) Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of, and not connected with the Company and its connected persons as at the date of this announcement.

Assets to be disposed of : 100% equity interest in the Target Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

Consideration : The initial Consideration is RMB409,482,600. Pursuant to the Sale and Purchase Agreement, if the final on-grid tariff for the Target Project is lower than the benchmark on-grid tariff (being RMB1/kwh), the Consideration is to be adjusted downwards at a rate of RMB0.08 per watt of the total installed capacity of the Target Project (i.e.40MW) for every RMB0.01/kwh below the benchmark on-grid tariff.

Term of the payment : The Consideration shall be settled or paid by the Purchaser to the Seller in the following manner:

(a) RMB20,000,000 shall be payable in cash within five (5) Business Days after the entering into an agreement for the financing of the Target Company among the Seller, the Purchaser, the Lender and the Target Company;

- (b) RMB25,000,000 shall be payable in the form of a bank draft upon (i) necessary registrations and filings documents in respect of the Proposed Disposal having been confirmed and accepted by the local administration for industry and commerce; and (ii) the Purchaser having received the business licence, company seal, legal representative seal, finance department seal, contract seal, online bank account key and necessary financial information of the Target Company from the Seller;
- (c) RMB23,767,800 shall be payable in the form of a bank guarantee within five (5) Business Days upon (i) the entering into supplemental agreements or other written proposal as agreed by the parties in respect of the payment of land use tax and other issues spotted in the due diligence report within 60 days after the Completion; and (ii) the Seller having provided or having procured the Target Company to provide the Purchaser all the business management material of the Target Company including but not limited to human resource record, technical material, financial accounts, title documents of the assets, etc.;
- (d) RMB5,000,000 shall be payable in cash within five (5) Business Days after the receipt of subsidies issued by the relevant authority of Shangdong Province for year 2019 after Completion;
- (e) RMB5,000,000 shall be payable in cash within five (5) Business Days after the receipt of subsidies issued by the relevant authority of Shangdong Province for year 2020 after Completion;
- (f) RMB5,000,000 shall be payable in cash within five (5) Business Days after the application for national subsidies being approved by the relevant authority at the provincial level after Completion; and

- (g) RMB325,714,800 shall be settled by the Purchaser assuming the total liabilities of the Target Company as at 31 August 2016.

**Basis of the Consideration** : The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement taking into account, among other things, the current asset and liabilities of the Target Company as at 31 August 2016, and the costs incurred for the construction and development of the Target Project held by the Target Company

**Conditions Precedent** : Completion of the Proposed Disposal is conditional upon the following conditions having been fulfilled (or, if applicable, waived):

- (a) the Target Company being duly incorporated and existing under the PRC laws with fully-paid registered share capital and valid licences and certificates;
- (b) the Target Company being the sole legal and beneficial owner of the title and all beneficial interest of the Target Project, and the sole legal entity having the right to develop, invest, construct and operate the Target Project;
- (c) the acceptance by relevant authorities accepting the documents filed by the Target Project; the Target Project being eligible for on-grid electricity price subsidies and obtaining all the approvals required for on-grid connection; the entering into of the power purchase agreements between the Target Company and relevant local power grid companies; and the Target Project being fully completed and connected to the power grid;
- (d) the obtaining by the Target Company, at its own costs, of certain approval document as set out in the Sale and Purchase Agreement (including but not limited to, construction planning permit, fire inspection certificate, and environmental evaluation report, etc.);

- (e) the amount eligible for VAT refund (17%) on the invoice obtained by the Target Company being consistent with the relevant agreements in relation to the Target Project; and
- (f) the obtaining of written consent from the Lender and a waiver of pre-emptive rights in respect of the shares in the Target Company from the Lender.

Completion : Completion will take place upon all necessary registrations and filings in respect of the Proposed Disposal having been completed at the local administration for industry and commerce, and the new business licence having been issued. The Target Company will cease to be a subsidiary of the Company and the Company will cease to hold any interest in the Target Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

The Board believed that the Proposed Disposal conforms to the prescribed operating strategies of the Group as a whole and will bring the following benefits:

As a leading developer of solar power plants around the globe and the largest independent private large scale ground-mounted solar power service provider in PRC, the Company has developed solar power plants and completed on-grid connection with capacity of 1.78GW in PRC. In its early stage of development, the Company makes it an operating strategy that solar power plants would grow as a category of products generating fixed incomes and would continue with further development. With the market position secured in the past few years and the experience and expertise in the development, operation and maintenance of solar power plants, the Company now puts more emphasis on overall efficiency and the revenues generated from the operation and maintenance of solar power plants. The Company therefore disposes in an appropriate manner some part of its power plant assets to selected investors, while continuing with its business of developing and constructing solar power plants. Such a move provides more cash income to the Company and enables the Company to provide the new operators of the solar power plants with professional operation and maintenance services on an ongoing basis, helping it to realize the strategic transition of owning less assets and putting more emphasis on providing services.

## **INFORMATION OF THE GROUP**

### **The Company**

The Company strives to become the world's largest provider of comprehensive low-carbon and energy-saving solutions. Via strategic acquisition and consolidation, the Group owns numerous renowned product and technology brand names. The Group makes constant efforts to improve energy production quality, and endeavours to advance the widespread utilization of clean energies through energy management and storage. The Group aims to offer a whole set of clean energy solution to public and commercial institutions, such as commercial facilities, data centres, hotels, large public facilities, industrial enterprises, office buildings, schools, hospitals, gymnasiums and households, saving energy consumption by 50% to 70% and helping customers reduce carbon emission and cut down costs related to energy consumption.

### **The Seller**

The Seller is a company established in the PRC and is a wholly-owned subsidiary of the Company. The Seller is principally engaged in investments holding.

## **INFORMATION OF THE PURCHASER**

The Purchaser is principally engaged in investment and operation of solar power plants. The Purchaser is indirectly wholly-owned by United Photovoltaics Group Limited (stock code: 686), whose shares are listed on the Stock Exchange.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC and is a wholly-owned subsidiary of the Seller. The Target Company owns and operates the Target Project, which are located in Yantai City, Shandong Province, the PRC. The Target Project was successfully connected to the power grid in December 2015.

Based on the audited financial information provided by the Target Company, the net and total assets of the Target Company as at 31 December 2015 are approximately RMB75,000,000 and approximately RMB458,858,596.82, respectively.

As the Target Project was not in operation as at 31 December 2015, no net profit was recorded for each of the two financial years ended 31 December 2014 and 2015.

## **FINANCIAL EFFECT OF THE PROPOSED DISPOSAL**

The Target Company will no longer be a subsidiary of the Company upon Completion. The actual financial effects from the Proposed Disposal will be computed based on the financial information of the Target Company on the date of Completion. It is estimated that there is an estimated gain after tax of approximately HK\$9.6 million arising from the Proposed Disposal based on the initial Consideration and the net assets value attributable to owners of the Company of approximately HK\$87.4 million as at 31 August 2016, net of estimated taxes and transaction costs of approximately HK\$0.6 million for the Proposed Disposal. For the purpose of this indicative calculation only, amounts stated in Renminbi has been converted into Hong Kong dollar amounts at RMB1=HK\$1.165, being the exchange rate prevailing on 20 September 2016. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at the applied or at any other rates or at all. The actual gain or loss that the Company can realise will depend on the actual net assets value attributable to owners of the Company on the date of Completion. It is expected that the Proposed Disposal will increase the equity attributable to owners of the Company due to the aforesaid estimated gain from the Proposed Disposal and improve the net debt to equity attributable to owners of the Company.

The Company intends to use the proceeds received from the Proposed Disposal for general working capital and construction and development of other photovoltaic projects.

The Directors consider that the Proposed Disposal (including the terms of the Sale and Purchase Agreement) is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As certain applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for 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 Chapter 14 of the Listing Rules.

**As the Proposed Disposal is subject to the fulfilment of certain conditions precedent and may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday or Sunday) on which banks in the PRC are generally open for business;
“Company”	Shunfeng International Clean Energy Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Proposed Disposal in accordance with the Sale and Purchase Agreement
“Consideration”	the total purchase price payable by the Purchaser to the Seller under the Sale and Purchase Agreement for the Proposed Disposal, being RMB409,482,600, subject to adjustment pursuant to the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“kwh”	kilowatt hour



“Lender”	a financial trust institution providing financing arrangement to the Target Company, together with its managing entity, both being third parties independent of, and not connected with the Company and its connected persons to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of the Target Company by the Seller to the Purchaser as contemplated under the Sale and Purchase Agreement
“Purchaser”	常州市招聯綠伏新能源有限公司 (Changzhou Zhaolian Lvfu New Energy Co., Ltd.*), a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 20 September 2016 entered into between the Seller and the Purchaser in relation to the Proposed Disposal
“Seller”	江西順風光電投資有限公司 (Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	海陽鑫順風光電科技有限公司 (Haiyang Xinshun Wind and Photovoltaic Power Energy Technology Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Seller
“Target Project”	Haiyang Xinshun Photovoltaic Energy Project with an installed capacity of 40MW
“%”	per cent

By order of the Board  
**Shunfeng International Clean Energy Limited**  
**Zhang Yi**  
*Chairman*

Hong Kong, 20 September 2016

*As at the date of this announcement, the executive Directors are Mr. Zhang Yi, Mr. Luo Xin, Mr. Shi Jianmin, Mr. Wang Yu and Mr. Lu Bin; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.*

\* *For identification purposes*