THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shunfeng International Clean Energy Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

SFCE

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)

(A) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 59% EQUITY INTEREST OF LATTICE POWER CORPORATION (B) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (C) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

富強金融資本
FORTUNE FINANCIAL CAPITAL

Fortune Financial Capital Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening an extraordinary general meeting of the Company to be held at 99 Yanghu Road, Wujin Hi-Tech Industrial Development Zone, Changzhou City, Jiangsu, the People's Republic of China on 28 July 2015 at 10:30 a.m. is set out on pages 100 to 101 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

A letter from the Board is set out on pages 9 to 44 and a letter from the Independent Board Committee is set out on pages 45 to 46 of this circular. A letter of advice from Fortune Financial Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders on the Agreements and the transactions contemplated thereunder, including, amongst others, the allotment and issue of the Consideration Shares, is set out on pages 47 to 73 of this circular.

13 July 2015

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings ascribed to them below:

"Acquisition"	the acquisition of 59% equity interest in Lattice Power by the Company pursuant to the Share Purchase Agreement and the ESOP Purchase Agreement
"Agreements"	the Share Purchase Agreement, the ESOP Purchase Agreement, the Series E Warrant Subscription Agreement and the Call Option Agreements
"Announcement"	the announcement of the Company issued on 20 May 2015 regarding the Transaction
"AP Resources"	Asia Pacific Resources Development Investment Limited, a limited company incorporated in the British Virgin Islands, whose issued share capital is indirectly wholly and beneficially owned by Mr. Cheng Kin Ming
"Board"	the board of Directors of the Company
"Business Day"	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
"Call Notice"	a written notice from the Company to the relevant Grantor specifying that the Company is exercising the Call Option, the number of Warrant Conversion Shares in respect of which the Call Option is to be exercised (which may be any number of Warrant Conversion Shares up to the number of such Warrant Conversion Shares issued to the Grantor as disclosed in the Grantor Notice), the consideration for exercising the Call Option and the date of completion of the Call Option
"Call Option"	the option of the Company, at its sole discretion, to acquire all or any part of the Warrant Conversion Shares from the Grantors
"Call Option Agreements"	the agreements dated 20 May 2015 between the Company and each of the Grantors in relation to the Company acquiring all or any part of the Warrant Conversion Shares from the relevant Grantor, such acquisition being at the Company's sole discretion
"Call Option Period"	any time during the twenty-one (21) days from the receipt of the Grantor Notice by the Company

"Charter"	the memorandum of association and the articles of association of Lattice Power in effect from time to time (which, as at the date of the Share Purchase Agreement, is the third amended and restated memorandum of association and the third amended and restated articles of association of Lattice Power)
"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 (stock code: 01165)
"Completion"	completion of the sale and purchase of the SPA Sale Shares pursuant to the Share Purchase Agreement
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	the total consideration of approximately HK$2,039,998,496 payable by the Company to the Sellers for the Acquisition pursuant to the Share Purchase Agreement and the ESOP Purchase Agreement
"Consideration Shares"	a total of 392,307,045 new Shares, as adjusted, to be allotted and issued by the Company under the Share Purchase Agreement and the ESOP Purchase Agreement
"Convertible Bonds"	the Company issued six tranches of convertible bonds at par to Peace Link Services Limited and other Independent Third Parties on 28 February 2013, 19 August 2013, 16 April 2014, 16 June 2014, 28 November 2014 and 27 January 2015 respectively
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the grant of the Specific Mandate, the entering into of the Agreements by the Company and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares)
"ESOP"	the 2006 Global Share Plan adopted by Lattice Power
"ESOP Completion"	completion of the sale and purchase of the ESOP Sale Shares pursuant to the ESOP Purchase Agreement

"ESOP Purchase"	the acquisition by the Company of 14,280,000 Lattice Power Shares from the ESOP Sellers pursuant to the ESOP Purchase Agreement
"ESOP Purchase Agreement"	the conditional agreement dated 20 May 2015 entered into between the Company and Hsuan Yu Lim (for and on behalf of each of the ESOP Sellers), in relation to the ESOP Purchase
"ESOP Sale Shares"	14,280,000 Lattice Power Shares to be sold by the ESOP Sellers to the Company pursuant to the ESOP Purchase Agreement
"ESOP Sellers"	employees of Lattice Power holding Options in Lattice Power
"Existing Warrants"	the Series A Warrants, Series B Warrants, Series C Warrants and Series D Warrants of Lattice Power convertible into an aggregate of 58,869,109 Warrant Conversion Shares
"Existing Warrantholders"	holders of the Existing Warrants
"Grant Sherman"	Grant Sherman Appraisal Limited, an Independent Third Party professional valuer
"Grantors"	the Existing Warrantholders and who are also Shareholder Sellers under the Acquisition
"Grantor Notice"	a written notice from the relevant Grantor to the Company notifying it of conversion of any of its Existing Warrants into Warrant Conversion Shares
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board established for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the Transaction, the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares, comprising all the independent non-executive Directors who are independent of the Transaction

"Independent Financial Adviser" or "Fortune Financial Capital"	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares (insofar they relate to AP Resources)
"Independent Shareholders"	the Shareholders other than Mr. Cheng Kin Ming, Peace Link Services Limited and their respective associates
"Independent Third Party(ies)"	a person, or in the case of a company, the company and its ultimate beneficial owner(s), who is/are independent of and not connected with the Company and the Company's connected persons
"Issue Price"	the issue price of the Consideration Share of HK$5.20 each
"Jiangxi Changda"	Jiangxi Changda Photoelectronics Science and Technology Co., Ltd. (江西省昌大光電科技有限公司), a PRC company and a subsidiary of Lattice Jiangxi
"Last Trading Day"	20 May 2015, being the last trading day immediately before the entering into of the Agreements
"Latest Practicable Date"	8 July 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Lattice Jiangxi"	Lattice Power (Jiangxi) Corporation (晶能光電(江西)有限公司), a wholly foreign-owned company established in Nanchang, Jiangxi Province, the PRC, under the laws of the PRC
"Lattice Power"	Lattice Power Corporation, a company incorporated in the Cayman Islands
"Lattice Power Group"	Lattice Power together with its subsidiaries
"Lattice Power Shares"	the common shares of US$0.001 par value each in the share capital of Lattice Power
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Longstop Date"	30 November 2015
"Material Adverse Effect"	a material adverse effect on (i) Lattice Power or any of its key subsidiaries' assets, properties, business prospects, results of operations or financial conditions; (ii) the carrying on of the business or operations of Lattice Power, any of its key subsidiaries or Lattice Power and its subsidiaries taken as a whole; (iii) the ability of Lattice Power's ability to perform and to ensure that each of its key subsidiaries performs its obligations under the Share Purchase Agreement or the ESOP Purchase Agreement or the Series E Warrant Subscription Agreement (where applicable) or any other Transaction Document to which it is a party; or (iv) the validity or enforceability of the Share Purchase Agreement or the ESOP Purchase Agreement or the Series E Warrant Subscription Agreement (where applicable) or any other Transaction Document against Lattice Power or any of its key subsidiaries to which it is a party
"MOFCOM"	the Ministry of Commerce of the PRC
"New Charter"	the fourth amended and restated memorandum of association and the fourth amended and restated articles of association of Lattice Power to be adopted prior to or concurrently with the Completion of the Company under the Share Purchase Agreement
"Options"	the options in Lattice Power issued pursuant to the ESOP
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	a total of 49,086,570 shares of Lattice Power Shares to be sold by the Sellers to the Company pursuant to the Share Purchase Agreement and the ESOP Purchase Agreement
"Sale Share Price"	HK$41.5592 per Sale Share
"Sellers"	the Shareholder Sellers and the ESOP Sellers
"Series E Warrantors"	Lattice Power and Wang Min

"Series E Warrants"	Series E warrants of Lattice Power convertible into an aggregate of 106,129,362 Series E Warrant Conversion Shares representing an aggregate value of HK$4,410,651,381 (initially at HK$41.5592 per Series E Warrant Conversion Share)
"Series E Warrant Conversion Shares"	the Lattice Power Shares issued by Lattice Power upon exercise of the Series E Warrants
"Series E Warrant Subscription"	the subscription of the Series E Warrants pursuant to the Series E Warrant Subscription Agreement
"Series E Warrant Subscription Agreement"	the conditional agreement dated 20 May 2015 entered into between the Company, Lattice Power, other subscribers (who are also Shareholder Sellers under the Acquisition) and Wang Min in relation to the Series E Warrant Subscription
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares of the Company
"Shareholder Sellers"	the vendors in the Share Purchase Agreement i.e. Andrew Yeo Khee Kuat, AP Resources, Banean Holdings Ltd, Chei-Chan Kau, CH Investments Ltd, Daystar Holdings LLC, Deqing Liu, Dunearn Investments (Mauritius) Pte Ltd, Edward B Roberts, G-O Scale Capital Management Co., LLC, Great Hunter International Limited, GSR Ventures I, L.P., GSR Principals Fund I, L.P., GSR Ventures III, L.P., GSR Opportunities IV, L.P., GSR Principals Fund IV, L.P., Guang Hua Zhou, James H Boettcher, Jia-Fann Chen, Keytone Ventures, L.P., The Li/Liu Family Trust, Mayfield XII (a Delaware Limited Partnership), Mayfield Associates Fund XII (a Delaware Limited Partnership), Mayfield Principals Fund XII (a Delaware Multiple Series LLC), SEFAM Inc., Signeo Limited, Silverpointe Investments Ltd, So Chi On, Tang Guoqiang, Wesley Wong and Yuntian Investment Company Limited

"Share Purchase"	the purchase of the SPA Sale Shares by the Company from the Shareholder Sellers pursuant to the Share Purchase Agreement
"Share Purchase Agreement"	the conditional agreement dated 20 May 2015 entered into between the Company, the Shareholder Sellers and Wang Min in relation to the Share Purchase
"SPA Sale Shares"	34,806,570 Lattice Power Shares to be sold by the Shareholder Sellers to the Company pursuant to the Share Purchase Agreement
"Specific Mandate"	a specific mandate to be considered, and, if thought fit, granted by the Independent Shareholders to the Directors to allot and issue the Consideration Shares
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Subscription Shares"	an aggregate of 84,149,220 Series E Warrant Conversion Shares, representing an aggregate value of HK$3,497,174,264 (initially at HK$41.5592 per Series E Warrant Conversion Share), which the Company is entitled to receive upon exercising all its Series E Warrants pursuant to the Series E Warrant Subscription Agreement
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Tang Guoqiang"	a Shareholder Seller, an Existing Warrantholder and also the beneficial owner of 100% shareholding in Coherent Gallery International Limited, which at the Latest Practicable Date, holds 268,223,960 Shares in the Company and is therefore deemed to be interested in the said number of Shares held by Coherent Gallery International Limited for the purposes of the SFO
"Transaction"	the Acquisition, the Series E Warrant Subscription and the grant of the Call Option by the Grantors to the Company

"Transaction Documents"	in relation to the Share Purchase Agreement, the Share Purchase Agreement, the 2015 Investors' Rights Agreement, the 2015 Right of First Refusal and Co-Sale Agreement, the 2015 Voting Agreement, the Series E Warrant Subscription Agreement, the Series E Warrants and the Call Option Agreements in relation to the ESOP Purchase Agreement, the 2015 Investors' Rights Agreement, the 2015 Right of First Refusal and Co-Sale Agreement, the 2015 Voting Agreement, the Series E Warrant Subscription Agreement, the Series E Warrants and the Call Option Agreements in relation to the Series E Warrant Subscription Agreement, the Series E Warrant Subscription Agreement, the Share Purchase Agreement, the 2015 Investors' Rights Agreement, the 2015 Right of First Refusal and Co-Sale Agreement, the 2015 Voting Agreement, the Series E Warrants and the Call Option Agreements
"Valuation Report"	the valuation report issued by Grant Sherman dated 20 May 2015 (and supplemented on 13 July 2015) in respect of the valuation of a 59% equity interest in Lattice Power as at 31 March 2015
"Wang Min"	the chief executive officer of Lattice Power
"Warrants"	the Existing Warrants and the Series E Warrants
"Warrantors"	the warrantors in the Share Purchase Agreement i.e. Wang Min and certain Shareholder Sellers (being AP Resources, Banean Holdings Ltd., GSR Ventures I, L.P., GSR Principals Fund I, L.P., GSR Ventures III, L.P., GSR Opportunities IV, L.P., GSR Principals Fund IV, L.P., and Tang Guoqiang)
"Warrant Conversion Shares"	the shares issued by Lattice Power upon exercise of the Existing Warrants

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)

Executive Directors:
Mr. Zhang Yi *(Chairman)*
Mr. Luo Xin *(Chief Executive Officer)*
Mr. Shi Jianmin *(Vice Chairman)*
Mr. Wang Yu
Mr. Lei Ting
Mr. Lu Bin

Independent Non-executive Directors:
Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Portion A, 10/F
World-Wide House
No.19 Des Voeux
Road Central,
Hong Kong

13 July 2015

To the Shareholders

Dear Sir or Madam,

(A) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 59% EQUITY INTEREST OF LATTICE POWER CORPORATION
(B) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND
(C) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 20 May 2015 in which the Board announced that on 20 May 2015 (after trading hours), the Company entered into the Agreements in relation to the Transaction.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Transaction and the proposed grant of the Specific Mandate; (ii) the letter of recommendation from the Independent Board Committee on the terms of the Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate); (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders regarding the terms of the Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) (insofar they relate to AP Resources); and (iv) the notice of EGM.

The Board is pleased to announce that the Company has agreed to make the Acquisition, namely the purchase of 59% of the issued share capital of Lattice Power. As part of the Acquisition, the Company has entered into the Share Purchase Agreement and the ESOP Purchase Agreement. The Consideration for the Acquisition is approximately HK$2,039,998,496, which shall be satisfied in full by the Company allotting and issuing the Consideration Shares to the Sellers at HK$5.20 per Consideration Share.

On the date of the Announcement, it was envisaged that the Consideration Shares shall comprise up to 392,307,403 new Shares. The exact number of new Shares to be issued as consideration to each ESOP Seller under the ESOP Purchase Agreement has been rounded down to the nearest Share when fraction Share is created in the calculation. The total number of new Shares to be issued for the ESOP Purchase has been adjusted to 114,127,598 as a result. Therefore, the total number of Consideration Shares has been adjusted to 392,307,045 new Shares, which represent approximately 12.73% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 11.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Prior to the Acquisition, Lattice Power has issued certain Existing Warrants convertible into preferred shares of Lattice Power, the details of which are set out below. As part of the Transaction, the Company has entered into the Series E Warrant Subscription Agreement pursuant to which Lattice Power agreed to issue, and the Company agreed to subscribe for the Series E Warrants convertible into 84,149,220 Series E Warrant Conversion Shares (i.e. the Subscription Shares) at a nominal consideration of US$0.001. Certain Shareholder Sellers have also each entered into the Series E Warrant Subscription Agreement with Lattice Power to subscribe for Series E Warrants convertible into an aggregate of 21,980,142 Series E Warrant Conversion Shares.

Further, in consideration of the entering into of the Share Purchase Agreement by the Company and in order to induce the Company to enter into and perform the obligations under the Share Purchase Agreement, each of the Existing Warrantholders (and who are also Shareholder Sellers) have entered into a Call Option Agreement with the Company pursuant to which such Existing Warrantholder granted a call option in favour of the Company over all or any part of its Warrant Conversion Shares and provided an undertaking to restrict the timing to exercise the Existing Warrants.

Completion of each of the Agreements is conditional upon the satisfaction of the conditions precedents of the respective agreements as set out below. The Company is not obliged to complete any of the Share Purchase Agreement, the ESOP Purchase Agreement or the Series E Warrant Subscription Agreement if such agreements are not completed simultaneously.

Upon completion of the Transaction, Lattice Power will become a non wholly-owned subsidiary of the Company.

(A) SHARE PURCHASE AGREEMENT

A summary of the principal terms of the Share Purchase Agreement is set out as follows:

Date

20 May 2015

Parties

Vendors	:	The Shareholder Sellers
Purchaser	:	The Company
Warrantors	:	Mr. Wang Min and certain Shareholder Sellers (being AP Resources, Banean Holdings Ltd., GSR Ventures I, L.P., GSR Principals Fund I, L.P., GSR Ventures III, L.P., GSR Opportunities IV, L.P., GSR Principals Fund IV, L.P. and Tang Guoqiang)

As at the Latest Practicable Date, AP Resources, one of the Shareholder Sellers, is indirectly wholly owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company, holding approximately 20.82% of the total issued share capital of the Company. Thus AP Resources is a connected person of the Company. The total original purchase cost of the 18,537,100 Lattice Power Shares held by AP Resources prior to the Acquisition is US$40,843,650 (excluding any agent fees incurred).

Save as to AP Resources, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Mr. Wang Min, the Shareholder Sellers and their ultimate beneficial owners (if applicable) is an Independent Third Party.

Equity Interest to be Acquired

Pursuant to the Share Purchase Agreement, the Shareholder Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire 34,806,570 Lattice Power Shares, being approximately 42% of the entire equity interest in Lattice Power in issue as at Completion without taking into account the Warrant Conversion Shares (but taking into account the Lattice Power Shares to be issued upon exercise of 51% of the Options issued under the ESOP to be exercised prior to Completion in accordance with the terms of the ESOP Purchase Agreement i.e. the ESOP Sale Shares).

Consideration

The aggregate consideration pursuant to the Share Purchase Agreement is approximately HK$1,446,533,125 to be settled in full by 278,179,447 new Shares to be allotted and issued by the Company to the Shareholder Sellers.

The table below shows the number of shares held by each Shareholder Seller in the Company (after the allotment and issue of the Consideration Shares) and in Lattice Power (excluding the Warrant Conversion Shares and the Series E Warrant Conversion Shares), in both cases, immediately upon closing of the Acquisition.

Name of Shareholder Seller	Number of shares in the Company immediately after completion of the Acquisition	Number of shares in Lattice Power immediately after completion of the Acquisition
Andrew Yeo Khee Kuat	169,265	20,349
AP Resources	75,557,191	9,083,179
Banean Holdings Ltd	232,915	28,000
Chei-Chan Kau	135,411	16,279
CH Investments Ltd	20,127,743	2,419,676
Daystar Holdings LLC	169,265	20,349
Deqing Liu	2,771,678	333,200
Dunearn Investments (Mauritius) Pte Ltd	10,156,141	1,220,930
Edward B Roberts	169,265	20,349
G-O Scale Capital Management Co., LLC	6,405,143	770,001
Great Hunter International Limited	13,246,995	1,592,500
GSR Ventures I, L.P.	33,418,951	3,951,046
GSR Principals Fund I, L.P.	1,025,193	123,245
GSR Ventures III, L.P.	36,962,768	4,443,514
GSR Opportunities IV, L.P.	11,352,135	1,364,708
GSR Principals Fund IV, L.P.	315,010	37,870
Guang Hua Zhou	203,120	24,418
James H Boettcher	169,265	20,349
Jia-Fann Chen	67,709	8,139
Keytone Ventures, L.P.	8,124,911	976,744
The Li/Liu Family Trust	67,709	8,139
Mayfield XII (a Delaware Limited Partnership)	26,998,718	3,245,678
Mayfield Associates Fund XII (a Delaware Limited Partnership)	417,502	50,190
Mayfield Principals Fund XII (a Delaware Multiple Series LLC)	417,502	50,190
SEFAM Inc.	67,709	8,139
Signeo Limited	4,570,936	549,500
Silverpointe Investments Ltd	203,120	24,418
So Chi On	4,745,629	570,500
Tang Guoqiang	18,894,938	2,271,473
Wesley Wong	135,411	16,279
Yuntian Investment Company Limited	880,199	105,813
Total	**278,179,447**	**33,375,164**

Note: The table assumes there are no changes to the shareholding structure of the Company prior to closing of the Acquisition.

Conditions Precedent

The obligation of the Company to purchase the SPA Sale Shares is subject to the fulfillment of the following conditions, prior to or concurrently with Completion, unless waived by the Company before the Longstop Date (other than condition 11 below which cannot be waived, all the other conditions are waivable by the Company as of right under the Share Purchase Agreement):

(1) *Due Diligence.* Completion of satisfactory due diligence on Lattice Power;

(2) *Representations and Warranties.* The representations, warranties and covenants made pursuant to the Share Purchase Agreement remaining true, accurate and not misleading immediately prior to Completion;

(3) *Covenants; Performance; No Breaches.* All of the agreements and covenants of the Shareholder Sellers required to be performed pursuant to each Transaction Document prior to Completion having been duly performed in all material respects and no breach under any Transaction Documents has occurred and is continuing;

(4) *Authorisations.* Each of the Warrantors and Shareholder Sellers having obtained and provided to the Company copies of all authorisations required for it to perform its obligations under the Share Purchase Agreement, and all such authorisations are in full force and effect;

(5) *No Material Adverse Effect.* Nothing having occurred which has or may reasonably be expected to have a Material Adverse Effect since the earlier of either the date of the Share Purchase Agreement or the date of the last audited financial statement provided to the Company;

(6) *Sellers' Certifications.* The Company having received certifications by a director or chief executive of each of the Shareholder Sellers with respect to the conditions precedent and expressed to be effective as of the date of Completion;

(7) *Transaction Documents Counterparts.* The Company having received a counterpart of each of the duly executed Transaction Documents which upon delivery are fully effective and unconditional;

(8) *Charter Documents.* Lattice Power having adopted the New Charter;

(9) *Prior Agreements.* Certain prior existing agreements having been terminated or will be terminated effective immediately prior to Completion;

(10) *Agreed Form.* Each of the Transaction Documents being in the agreed form to the satisfaction of the Company;

(11) *Approvals.* The Company having obtained all necessary authorisations, approvals or consents required under its constitutive documents and applicable laws to purchase the SPA Sale Shares and to allot and issue the corresponding new Shares as consideration, including but not limited to:

a. the passing at the EGM by the Independent Shareholders of the Company of resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate to the Directors to allot and issue the relevant new Shares;

b. all requirements under the Listing Rules for the approval of the Share Purchase Agreement and the transactions contemplated therein having been fulfilled, including but not limited to the issuance of the Independent Financial Adviser opinion; and

c. the Stock Exchange having given its approval for the listing and trading of the relevant new Shares and such approval not having been subsequently revoked, withdrawn or cancelled;

(12) *Merger Control Filings.* All merger control filings and notifications in respect of the Share Purchase, the ESOP Purchase and the Series E Warrant Subscription having been made to the competent merger control authority in each relevant jurisdiction (including to MOFCOM in the PRC) and all approvals, consents or clearances for the Completion having been obtained without further in-depth proceedings having been initiated;

(13) *No issue.* No shares or securities convertible into shares having been issued by Lattice Power or its subsidiaries since the date of the Share Purchase Agreement other than as contemplated in the Transaction Documents, and no further options under the ESOP having been granted after the date of the Share Purchase Agreement;

(14) *No injunction.* No injunction, interim or otherwise, having been granted which would prohibit the Warrantors or the Shareholder Sellers from entering into and performing its obligations under the Share Purchase Agreement;

(15) *Litigation.* There being no litigation pending against any of the Shareholder Sellers or Lattice Power that, if decided adversely, would inhibit or otherwise delay the consummation of the transactions contemplated in the Transaction Documents;

(16) *No Default.* At Completion, none of Lattice Power or any other member of its group being in breach of or in default under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loans agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound;

(17) *No Restrictions or Prohibitions.* No order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated under the Share Purchase Agreement;

(18) *Management rights letter.* Lattice Power has delivered to the Company a management rights letter duly signed on behalf of Lattice Power in a form satisfactory to the Company;

(19) *Exercise of options under the ESOP.* 51% of all Options granted and subsisting under the ESOP having been duly exercised;

(20) *ESOP Purchase Agreement.* The ESOP Purchase Agreement having been agreed and signed by the parties thereto and all conditions therein having been fulfilled or duly waived;

(21) *Termination of the ESOP.* The ESOP having been cancelled and terminated without any compensation to the participants thereof prior to Completion;

(22) *The Series E Warrant Subscription Agreement.* The Series E Warrant Subscription Agreement having been agreed and signed by the parties thereto and all conditions therein having been fulfilled or duly waived;

(23) *Conversion of Preferred Shares to Common Shares.* All outstanding preferred shares of Lattice Power having been converted to common shares in accordance with the Charter;

(24) *Existing Warrants being surrendered and re-issued.* All Existing Warrants having been surrendered by the Shareholder Sellers and Lattice Power having re-issued such Existing Warrants in new form;

(25) *Removal of VIE (variable interest entities) and trust arrangements; acquisition of interest in a PRC subsidiary.* The removal of certain VIE and trust arrangements in certain subsidiaries of Lattice Power having been completed; the acquisition of the minority interest in a PRC subsidiary of Lattice Power (i.e. the 1% in Jiangxi Changda held by Mr. Wang Gang) by Lattice Power or its group company having completed;

(26) *Registered capital of subsidiary.* All outstanding amount in the registered capital of a PRC subsidiary of Lattice Power having been fully paid up to the relevant authority; and

(27) *Litigation.* All litigations involving a PRC subsidiary of Lattice Power having been fully settled and discharged.

Further Explanation of Conditions Precedent and their Status

In relation to condition 12 above, an application will be filed to MOFCOM for anti-monopoly investigation prior to completion of the Acquisition and the Series E Warrant Subscription if certain thresholds are exceeded. Upon such filing, MOFCOM will conduct a preliminary review within 30 days of receipt of the filing and may conduct further in-depth investigation. As the thresholds relating to the turnover requirements of Lattice Power have not been exceeded, the Company is not required to file any applications to MOFCOM in respect of the Acquisition and the Series E Warrant Subscription. As a result, as at the Latest Practicable Date, condition 12 has been satisfied.

In relation to condition 23 above, as at the Latest Practicable Date, there are 64,282,464 preferred shares of Lattice Power currently in issue and outstanding (excluding the number of preferred shares of Lattice Power that the Existing Warrants will be converted into, if exercised). The conversion ratio of preferred shares into common shares is 1:1.

In relation to condition 24 above, a new form of the Existing Warrants will be re-issued so as to add the following additional term/make the following consequential changes to the terms of the Existing Warrants: (a) each of the Existing Warrantholders will subscribe for common shares of Lattice Power instead of preferred shares under such Warrants; and (b) the Existing Warrants shall not be exercisable or transferrable by the holders until a date which is 3 months prior to a qualified initial public offering of Lattice Power, if any. There is a qualified initial public offering of Lattice Power if there is a closing of a firm commitment underwritten public offering of Lattice Power's common shares which, based on the final offer price, values the total market capitalisation of all of the common shares (including all warrants that are convertible, exercisable or exchangeable into common shares and new common shares issued under the qualified initial public offering) at US$3 billion or more. All other terms of the Existing Warrants will remain unchanged.

In relation to condition 25 above, Lattice Power and its subsidiaries do not use any contract-based arrangements or structures to indirectly own and control an operating company in the PRC which owns licences to perform business in an industry sector which is not subject to foreign investment restrictions. Instead, there are trust arrangements between:

(a) Lattice Power and Mr. Sonny Wu, a director of Lattice Power, such that Mr. Sonny Wu holds all of the shares of Lattice Power (Hong Kong) Limited on trust solely for the benefit of Lattice Power. Lattice Power (Hong Kong) Limited, in turn, holds 100% of the shares of Lattice Power (Changzhou) Co., Ltd, which is a wholly foreign owned enterprise operating a business in the PRC not subject to foreign investment restrictions; and

(b) Lattice Jiangxi and Mr. Xiaofeng Pan, such that Mr. Xiaofeng Pan holds 49.5% of Jiangxi Changda on trust for Lattice Jiangxi. Jiangxi Changda is a PRC incorporated company operating a business in the PRC not subject to foreign investment restrictions. The remaining 1% in Jiangxi Changda is held by Mr. Wang Gang.

The Company confirms that condition 25 will not be waivable and it will not proceed to closing of the Share Purchase Agreement if such condition is not satisfied.

As at the Latest Practicable Date, the Company has been informed that trust arrangements (a) and (b) referred to above have been removed.

As at the Latest Practicable Date, the ESOP Purchase Agreement referred to in condition 20 and the Series E Warrant Subscription Agreement referred to in condition 22 have been signed and conditions 12 and 25 have been satisfied.

Termination

If one or more of the conditions precedent remains unsatisfied on the Longstop Date and has not been waived on or before that date, or becomes impossible to satisfy on or before the Longstop Date and has not been waived within five Business Days of such condition precedent becoming impossible to satisfy, the Company may give notice to terminate the Share Purchase Agreement.

The Company may cancel the purchase of the SPA Sale Shares if: (i) anything has occurred which has or may reasonably be expected to have a Material Adverse Effect or there exists any situation which indicates that performance by the Shareholder Sellers, Lattice Power or any relevant party of their respective obligations under any of the Transaction Documents and the ESOP Purchase Agreement cannot be expected, or (ii) there has been any breach or violation of any provision of, or any representation, warranty or covenant contained in any of the Transaction Documents by any of the Shareholder Sellers, Lattice Power or any relevant party thereto (other than the Company).

Upon any such cancellation, each party's further rights and obligations shall terminate immediately.

Other Key Terms

(1) *Merger Control.* In the event that the transactions contemplated by the Share Purchase Agreement trigger in-depth proceedings, each of the parties undertakes to persuade such merger control authorities to permit the sale and purchase of the SPA Sale Shares;

(2) *PRC Taxation.* Each of the Shareholder Sellers undertakes that it will comply with, and will make all reportings and declarations in a timely manner in relation to its PRC tax liability, and will indemnify the Company and each group company of Lattice Power from any and all PRC taxation incurred or suffered as a direct or indirect result of the sale of the SPA Sale Shares; and

(3) *Indemnity.* The Shareholder Sellers agree to indemnify the Company and its affiliates, shareholders, employees, officers, directors and agents from any loss relating to or arising out of any breach of any representations, warranties or covenants made by the Shareholder Sellers in the Share Purchase Agreement up to the aggregate amount paid by the Company for the Acquisition on a pro rata basis.

Completion of the Share Purchase Agreement

The date of Completion shall be the fourteenth (14th) day after all the conditions precedent set forth above have been satisfied or waived, or such other date as the Shareholder Sellers and the Company may agree in writing.

(B) ESOP PURCHASE AGREEMENT

A summary of the principal terms of the ESOP Purchase Agreement is set out as follows:

Date

20 May 2015

Parties

Vendors	:	The ESOP Sellers
Purchaser	:	The Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the ESOP Sellers is an Independent Third Party.

Equity Interest to be Acquired

Pursuant to the ESOP Purchase Agreement, the ESOP Sellers will convert 51% of the outstanding Options granted to the ESOP Sellers to Lattice Power Shares. The Company will then acquire such ESOP Sale Shares, which would amount to an aggregate of 14,280,000 Lattice Power Shares. The ESOP will be terminated prior to the ESOP Completion but the remaining 49% of the outstanding Options will continue to be valid after the ESOP Completion.

Consideration

The aggregate consideration pursuant to the ESOP Purchase Agreement is approximately HK$593,465,371 to be settled in full by 114,127,598 new Shares to be allotted and issued by the Company to the ESOP Sellers. On the date of the Announcement, it was envisaged that the Consideration Shares shall comprise up to 114,127,956 new Shares for the ESOP Purchase. The exact number of new Shares to be issued as consideration to each ESOP Seller under the ESOP Purchase Agreement has been rounded down to the nearest Share when fraction Share is created in the calculation. The total number of new Shares to be issued for the ESOP Purchase has been adjusted to 114,127,598 as a result.

Conditions Precedent

The obligation of the Company to purchase the ESOP Sale Shares is subject to the fulfillment of the following conditions prior to or concurrently with the ESOP Completion unless waived by the Company (other than condition 7 below which cannot be waived, all the other conditions are waivable by the Company as of right under the ESOP Purchase Agreement):

(1) *Due Diligence.* Completion of satisfactory due diligence on Lattice Power and its group;

(2) *Representations and Warranties.* The representations, warranties and covenants made pursuant to the ESOP Purchase Agreement remaining true, accurate and not misleading immediately prior to the ESOP Completion;

(3) *Covenants; Performance; No Breaches.* All of the agreements and covenants of the ESOP Sellers required to be performed prior to the ESOP Completion having been duly performed in all material respects and no breach under the ESOP Purchase Agreement or any of its ancillary documents has occurred and is continuing;

(4) *Authorisations.* Each of the ESOP Sellers having obtained and provided to the Company copies of all authorisations required for it to perform its obligations under the ESOP Purchase Agreement, and all such authorisations are in full force and effect;

(5) *No Material Adverse Effect.* Nothing having occurred which has or may reasonably be expected to have a Material Adverse Effect since the earlier of either the date of the ESOP Purchase Agreement or the date of the last audited financial statement provided to the Company;

(6) *Transaction Documents Counterparts.* The Company having received a counterpart of each of the duly executed Transaction Documents which upon delivery are fully effective and unconditional;

(7) *Approvals.* The Company having obtained all necessary authorisations, approvals or consents required under its constitutive documents and applicable laws to purchase the ESOP Sale Shares and to allot and issue the corresponding new Shares as consideration, including but not limited to:

a. the passing at the EGM by the Independent Shareholders of the Company of resolutions approving the ESOP Purchase Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate to the Directors to allot and issue the relevant new Shares;

b. all requirements under the Listing Rules for the approval of the ESOP Purchase Agreement and the transactions contemplated therein having been fulfilled, including but not limited to the issuance of the Independent Financial Adviser opinion; and

c. the Stock Exchange having given its approval for the listing and trading of the relevant new Shares and such approval not having been subsequently revoked, withdrawn or cancelled;

(8) *Merger Control Filings.* All merger control filings and notifications in respect of the Share Purchase, the ESOP Purchase and the Series E Warrant Subscription having been made to the competent merger control authority in each relevant jurisdiction (including to MOFCOM in the PRC) and all approvals, consents or clearances for the ESOP Completion having been obtained without further in-depth proceedings having been initiated;

(9) *No issue.* No shares or securities convertible into shares having been issued by Lattice Power or its subsidiaries since the date of the ESOP Purchase Agreement other than as contemplated in the Transaction Documents, and no further options under the ESOP having been granted after the date of ESOP Purchase Agreement;

(10) *No injunction.* No injunction, interim or otherwise, having been granted which would prohibit the ESOP Sellers from entering into and performing its obligations under the ESOP Purchase Agreement;

(11) *Litigation.* There being no litigation pending against any of the ESOP Sellers or Lattice Power that, if decided adversely, would inhibit or otherwise delay the consummation of the transactions contemplated in the Transaction Documents;

(12) *No Restrictions or Prohibitions.* No order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated under the ESOP Purchase Agreement;

(13) *Exercise of Options under the ESOP.* 51% of the Options granted and subsisting under the ESOP having been duly exercised;

(14) *Termination of the ESOP.* The ESOP having been cancelled and terminated without any compensation to the participants thereof prior to the ESOP Completion; and

(15) *Share Purchase Agreement.* The Share Purchase Agreement having been agreed and signed by the parties thereto and all conditions therein having been fulfilled or duly waived.

Further Explanation of Conditions Precedent and their Status

In relation to condition 8 above, an application will be filed to MOFCOM for anti-monopoly investigation prior to completion of the Acquisition and the Series E Warrant Subscription if certain thresholds are exceeded. Upon such filing, MOFCOM will conduct a preliminary review within 30 days of receipt of the filing and may conduct further in-depth investigation. As the thresholds relating to the turnover requirements of Lattice Power have not been exceeded, the Company is not required to file any applications to MOFCOM in respect of the Acquisition and the Series E Warrant Subscription. As a result, as at the Latest Practicable Date, condition 8 has been satisfied.

As at the Latest Practicable Date, the Share Purchase Agreement referred to in condition 15 has been signed and condition 8 has been satisfied.

Termination

If one or more of the conditions precedents remains unsatisfied on the completion of the Share Purchase Agreement and has not been waived on or before that date, the Company may give notice to terminate the ESOP Purchase Agreement.

The Company may cancel the ESOP Purchase if: (i) anything has occurred which has or may reasonably be expected to have a Material Adverse Effect or there exists any situation which indicates that performance by the ESOP Sellers, Lattice Power or any relevant party of their respective obligations under any of the Transaction Documents and the ESOP Purchase Agreement cannot be expected, or (ii) there has been any breach or violation of any provision of, or any representation, warranty or covenant contained in the ESOP Purchase Agreement by the ESOP Sellers or Lattice Power.

Upon any such cancellation, each party's further rights and obligations shall terminate immediately.

Other Key Terms

(1) *Merger Control.* In the event that the transactions contemplated by the ESOP Purchase Agreement trigger in-depth proceedings, each of the parties undertakes to use its reasonable endeavours to persuade such merger control authorities to permit the sale and purchase of the ESOP Sale Shares; and

(2) *PRC Taxation.* Each of the ESOP Sellers undertakes that it will comply with, and will make all reportings and declarations in a timely manner in relation to its PRC tax liability, and will indemnify the Company and each group company of Lattice Power from any and all PRC taxation incurred or suffered as a direct or indirect result of the sale of the ESOP Sale Shares.

Completion of the ESOP Purchase Agreement

The date of the ESOP Completion shall take place on the date of completion of the Share Purchase Agreement or such other date as agreed between the parties.

THE CONSIDERATION SHARES

The Consideration Shares to be issued to the Sellers in consideration of the Acquisition comprises 392,307,045 new Shares. The exact number of new Shares to be issued as consideration to each ESOP Seller under the ESOP Purchase Agreement has been rounded down to the nearest Share when fraction Share is created in the calculation. The total number of new Shares to be issued for the ESOP Purchase has been adjusted to 114,127,598 as a result. Therefore, the total number of Consideration Shares has been downward adjusted from 392,307,403 Shares, as envisaged on the date of the Announcement, to 392,307,045 Shares.

As at the Latest Practicable Date, the Company has 3,082,200,101 Shares in issue. Assuming that there is no change in the issued share capital of the Company, the Consideration Shares represent (i) approximately 12.73% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares shall be issued as fully paid and shall rank *pari passu* in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares are to be allotted and issued by the Company under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM under the Listing Rules.

The Issue Price of HK$5.20 per Consideration Share was determined after arm's length negotiations between the Company and the Sellers with reference to, amongst other things, the recent trading prices of the Shares, which represents:

(i) a premium of approximately 4.42% over the closing price of HK$4.98 per Share as quoted on the Stock Exchange on 20 May 2015, being the date of the Agreements;

(ii) a premium of approximately 2.56% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading day prior to the date of the Agreements of approximately HK$5.07 per Share;

(iii) a premium of approximately 2.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day prior to the date of the Agreements of approximately HK$5.08 per Share;

(iv) a premium of approximately 106.35% over the net asset value per Share of approximately HK$2.52 (based on the latest audited net assets of the Group as of 31 December 2014 published on the Stock Exchange's website and the number of issued Shares as at the Latest Practicable Date); and

(v) a premium of approximately 160.00% over the closing price of HK$2.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determination of the Consideration

The Consideration for the Acquisition was determined after arm's length negotiations between the Company and the Sellers on normal commercial terms, with reference to the valuation of the fair market value of a 59% equity interest in Lattice Power of HK$2,400,000,000 as at 31 March 2015 by Grant Sherman, a qualified Independent Third Party valuer, based on the discounted cash flow method.

The valuation by Grant Sherman, the qualified Independent Third Party valuer, constitutes a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are applicable accordingly.

The principal assumptions upon which the profit forecast was made are set out in "Appendix I — Valuation Report" to this circular.

As disclosed in the Valuation Report, the Lattice Power Group targets to migrate to 6 inch wafer manufacturing in 2015–2016 to reduce production costs through increasing the rate of automation in the production process, enhancing the efficiency of chips production and further achieving economies of scale. On the other hand, the Lattice Power Group will continue capacity expansion and market share gain. The Lattice Power Group will continue to expand in ceramic packaging, new on-wafer integrated chip and packaged products, promote automation for light bulb modules for the lowest cost and expand into the light engine module market, as well as leverage silicon technology for high-end lighting products and/or applications. The Lattice Power Group will supply more products targeting the mobile devices, automobile, general lighting markets. In 2015, the Lattice Power Group will introduce automotive light-emitting diode ("**LED**") products and LED headlight products; complete the flash module development work and development of key solar street light products; and develop 4K TV backlight modules, car headlight modules, and multi-color LED arrays. In 2016, the Lattice Power Group will introduce LED headlight products. By 2016, with its continuous sales and marketing effort, the Lattice Power Group anticipates to achieve the highest market share position among Chinese flash vendors, become the top five chips-on-board companies in the PRC, and maintain its flipchip leadership position and its top three high-voltage market share in the PRC. By 2017, the Lattice Power Group aims to achieve market leadership position for its module business in the PRC.

Lattice Power informed that the Lattice Power Group had successfully launched its automotive LED products and LED headlight products and over US$10 million sales order had been received from customers.

Grant Sherman considered, amongst others, the historical financial information, the financial projection and the underlying assumptions (collectively, the "**Projection**") of the Lattice Power Group from 31 March 2015 to 31 December 2019 (the "**Projection Period**") prepared by its management before arriving at the valuation. The Projection during the Projection Period contained the following assumptions:

1. The Lattice Power Group will further continue its pursuit of vertical integration and focus on higher margin leading edge chip products. Turnover is projected based on expected sales quantity and unit price of certain major products. Overall increase in turnover will be driven by increase in sales quantity as a result of launching more marketing activities to promote the brand and technology and offering a wider spectrum of products to gain market share;

2. Global market reports about the LED market suggest that the LED industry will continue to grow fast while the market potential for GaN-on-Silicon wafers in GaN LED market is huge. By capturing market share rapidly, the Lattice Power Group anticipates the annual growth rates in turnover are over 100% for 2015 and 2016 and over 20% for the remaining 3 years of the Projection Period. In line with the market trend, unit prices of products are expected to decrease generally by approximately 5%–10% every year during the Projection Period;

3. Based on the Lattice Power Group's historical cost analysis, direct costs and staff costs usually account for about 80% and 10% of cost of goods sold respectively and there is no material price fluctuation in recent years. The management of the Lattice Power Group assumes the per unit direct cost will remain flat while the staff costs will grow by 10% per annum due to general inflation and/or increase in headcount;

4. The gross profit and net profit margins are in line with the industry which range from 30% to 38% and 20% to 26% respectively during the Projection Period;

5. In line with the relevant government policy and based on the amount of subsidies received from the government in the previous two financial years, the Lattice Power Group estimates that it will receive approximately US$28 million government subsidies income in the next 12 months from the valuation date. Such income is non-recurring in nature and apart from this, no other subsidies income has been assumed in the Projection;

6. Total investment in production machinery and facilities amount to over US$100 million, among which, approximately US$41 million, US$23 million and US$25 million will be spent in 2016, 2017 and 2018 respectively, while its production capacity will double by the end of 2019; and

7. Currently, the Lattice Power Group is at the high growth stage. The business of the Lattice Power Group will be at the mature stage after 5 years. Thus, the cash flows beyond the Projection Period are assumed to grow at 3% per annum, with reference to the long-term CPI growth rate of a developed country like the United States of America. Such rate is assumed to lie between the long-term inflation rate in the PRC and the long term LED lighting industry growth rate.

Grant Sherman conducted the following work to evaluate the Lattice Power Group's past performance and assess its ability and capacity to generate future investment returns. They are as follows:

1. A review of the Lattice Power Group's historical performance, the findings of which are set out below.

   — The revenue grew 43% and 70% in 2013 and 2014 respectively, demonstrated the high growth stage of the Lattice Power Group.

   — The gross margin has greatly improved over the past few years. Gross losses were recorded in 2012 and 2013 while a gross profit margin of 29% was recorded in 2014.

   — The production in GaN-on-Silicon wafer was still at the development stage which therefore required significant investment in research and development from 2012 to 2014. Together with non-recurring and non-operation expenses, the Lattice Power Group recorded net losses in the past three years. The Lattice Power Group recorded loss from operations of US$10.57 million and US$10.92 million in 2012 and 2013 respectively, but there was profit from operations of US$2.86 million in 2014 after the successful commercialised production of GaN-on-Silicon wafer. The Lattice Power Group's LED business is a rather capital intensive business, and along with the increase in production scale expected in 2015, it is reasonable to expect that the profitability would greatly improve.

— The Lattice Power Group has a history of receiving over US$20 million subsidies from local governments for encouraging the Lattice Power Group's research and development activities, operation in LED industry and for subsidising the equipment purchases for self-manufactured LED chips in the past few years. There is no information that the government will suspend or cut the subsidies that the Lattice Power Group would be entitled to. Taking into consideration the existing favourable government policy, the forecast subsidies income is based on supported grounds.

2. A review on global market reports about the LED market, the findings of which are set out below. According to these market reports, the global LED lighting market will reach US$25.7 billion in 2015; Europe, China and North America would be the three largest LED lighting markets, comprising 23%, 21% and 19% of the global market respectively; the historical compound annual growth rate ("**CAGR**") of general LED industry ranges from 18% to 26%. An industry report stated that the industry would grow by a CAGR of 18% over the period of 2014 to 2018, while another technology research firm, Technavio, estimated that the industry would grow by a CAGR of 26% from 2014 to 2019. According to a forecast made by information solution provider in December 2013, it was expected that the penetration of GaN-on-Silicon wafers in GaN LED market, which the Lattice Power Group is specialised in, would increase at a CAGR of 69% over the period of 2013-2020 and reach 40% market share of all GaN LEDs manufactured by 2020. These pieces of information provided Grant Sherman with relevant information on the market growth, competition, opportunities and challenges existing in the Lattice Power Group's business environment which supports the growth assumptions on turnover in the Projection;

3. A comparison of current market data, including but not limited to the product prices of chips and LED light bulbs, inflation rate, economic growth rate, with the assumptions adopted in the valuation is within the range of that of the industry benchmark;

4. An examination of Lattice Power Group's relevant internal reports and analysis, such as business plans, sales proposals, revenue and costing analyses and budgets, sales contracts, vendors' quotations, to verify that the assumptions adopted in the Projection, such as revenue, production capacity, costs structure, subsidies income, capital expenditure, are made in light of supported grounds; and

5. An assessment of the business plans of the management of the Lattice Power Group with reference to the above.

Based on the above independent work Grant Sherman performed, and further considerations about, among others, (i) the background, experience and knowledge of the management of the Lattice Power Group to operate the business; (ii) the large and increasing market demand that the Lattice Power Group can capture; (iii) the competitive advantage of the Lattice Power Group towards Silicon-based LED products; and (iv) the patents and technology owned by the Lattice Power Group, Grant Sherman considers that the assumptions in the Projection are fair and reasonable.

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its auditors, Deloitte Touche Tohmatsu, who has reported to the Directors as set out in "Appendix II — Letter from the auditor in relation to the Valuation Report" to this circular.

Also, in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged TC Capital Asia Limited as financial adviser who has reported to the Directors as set out in "Appendix III — Letter from the financial adviser in relation to the Valuation Report" to this circular.

The Board (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) considers that the Consideration is fair and reasonable.

WARRANT SUBSCRIPTION

As part of the historical investments in Lattice Power prior to the Acquisition, some of the Shareholder Sellers have subscribed for the Existing Warrants convertible into preferred shares of Lattice Power. The Existing Warrants will continue to be valid after completion of the Acquisition.

To ensure that the Company can maintain a majority shareholding in Lattice Power upon full conversion of all outstanding Options and Existing Warrants of Lattice Power, the Company entered into the Series E Warrant Subscription Agreement pursuant to which Lattice Power agreed to issue, and the Company agreed to subscribe for the Series E Warrants convertible into 84,149,220 Series E Warrant Conversion Shares (i.e. the Subscription Shares) at a nominal consideration of US$0.001, exercisable at the discretion of the Company. Certain Shareholder Sellers have also each entered into the Series E Warrant Subscription Agreement with Lattice Power to subscribe for Series E Warrants convertible into an aggregate of 21,980,142 Series E Warrant Conversion Shares.

Information about the Existing Warrants

(i) ***Series A Warrants***

Exercise price: US$1.00 per Series A preferred share of Lattice Power

Exercisable period: From 18 April 2006 to 18 April 2011 then extended to 22 January 2018

Warrantholders: GSR Ventures I, L.P., GSR Principals Fund I, L.P.

(ii) ***Series B Warrants***

Exercise price: US$3.01 per Series B preferred share of Lattice Power

Exercisable period: From 22 January 2010 to 22 January 2015 then extended to 22 January 2018

Warrantholders: AP Resources, GSR Ventures I, L.P., GSR Principals Fund I, L.P., GSR Ventures III, L.P., Keytone Ventures, L.P., Mayfield XII (a Delaware Limited Partnership), Mayfield Associates Fund XII (a Delaware Limited Partnership), Mayfield Principals Fund XII (a Delaware Multiple Series LLC), Tang Guoqiang

(iii) ***Series C Warrants***

Exercise price: US$3.50 per Series C preferred share of Lattice Power

Exercisable period: From 8 December 2010 to 8 December 2015

Warrantholders: AP Resources, Banean Holdings Ltd, CH Investments Ltd, GSR Ventures III, L.P., Mayfield XII (a Delaware Limited Partnership), Mayfield Associates Fund XII (a Delaware Limited Partnership), Mayfield Principals Fund XII (a Delaware Multiple Series LLC), Tang Guoqiang

(iv) ***Series D Warrants***

Exercise price: US$3.50 per Series D preferred share of Lattice Power

Exercisable period: From 30 June 2014 to 30 June 2019

Warrantholders: AP Resources, CH Investments Ltd, G-O Scale Capital Management Co., LLC, GSR Ventures I, L.P., GSR Principals Fund I, L.P., GSR Ventures III, L.P., GSR Opportunities IV, L.P., GSR Principals Fund IV, L.P., Mayfield XII (a Delaware Limited Partnership), Mayfield Associates Fund XII (a Delaware Limited Partnership), Mayfield Principals Fund XII (a Delaware Multiple Series LLC), Tang Guoqiang

(C) SERIES E WARRANT SUBSCRIPTION AGREEMENT

A summary of the principal terms of the Series E Warrant Subscription Agreement is set out as follows:

Date

20 May 2015

Parties

Issuer	:	Lattice Power
Subscriber	:	The Company and other subscribers (and who are also Shareholder Sellers under the Acquisition including AP Resources)

Warrantors : Mr. Wang Min and Lattice Power

Series E Warrant Subscription

Lattice Power shall issue to the Company Series E Warrants for the conversion of up to 84,149,220 Series E Warrant Conversion Shares (i.e. the Subscription Shares) for a total nominal value of US$0.001. The other subscribers will subscribe for Series E Warrants convertible into an aggregate of 21,980,142 Series E Warrant Conversion Shares, and each of them will pay the subscription price of US$0.001.

Terms and Conditions of the Series E Warrants

Exercise Price — The exercise price for the Subscription Shares shall be the Sale Share Price per Series E Warrant Conversion Share, subject to adjustment in the event of changes in the series of equity securities of Lattice Power comprising the Subscription Shares by reason of share dividends, splits, recapitalisations, reclassifications, combinations or exchanges of shares, separations, reorganisations or liquidations.

Exercise Period — The Series E Warrants shall be exercisable, in whole or in part, during the term commencing on the date of issue of the Series E Warrants and ending at 5:00 p.m. (Hong Kong time) on the fifth (5th) anniversary of the date of the Series E Warrants.

Conditions Precedent

The obligation of the Company to make the Series E Warrant Subscription is subject to the fulfillment of the following conditions prior to or concurrently with the making of the Series E Warrant Subscription, unless waived by the Company (other than condition 8 below which cannot be waived, all the other conditions are waivable by the Company as of right under the Series E Warrant Subscription Agreement). Further, the Company is not required to complete the Series E Warrant Subscription unless all the other subscribers complete the Series E Warrant Subscription.

(1) *Representations and Warranties.* The representations, warranties and covenants made by the Series E Warrantors pursuant to the Series E Warrant Subscription Agreement remaining true, accurate and not misleading immediately prior to the Series E Warrant Subscription;

(2) *Covenants; Performance; No Breaches.* All of the agreements and covenants of Lattice Power required to be performed prior to the Series E Warrant Subscription pursuant to each Transaction Document having been duly performed in all material respects and no breach under any Transaction Documents has occurred and is continuing;

(3) *Authorisations.* Lattice Power having obtained and provided to the Company copies of all authorisations required for it to perform its obligations under the Series E Warrant Subscription Agreement, and all such authorisations are in full force and effect;

(4) *No Material Adverse Effect.* Nothing having occurred which has or may reasonably be expected to have a Material Adverse Effect since the earlier of either the date of the Series E Warrant Subscription Agreement or the date of the last audited financial statement provided to the Company;

(5) *Company Certifications.* The Company has received certifications by Lattice Power with respect to the conditions precedent and expressed to be effective as of the date of the subscription;

(6) *Transaction Documents Counterparts.* The Company having received a counterpart of each of the duly executed Transaction Documents which upon delivery is fully effective and unconditional;

(7) *Non-Competition.* Mr. Wang Min and all current employees of and consultants to each group company of Lattice Power having entered into a standard form proprietary information and inventions agreements, and non-competition and non-solicitation agreement in form and substance reasonably acceptable to the Company;

(8) *Approvals.* The Company having obtained all necessary authorisations, approvals or consents required under its constitutive documents and applicable laws to subscribe for the Series E Warrants;

(9) *Merger Control Filings.* All merger control filings and notifications in respect of the Share Purchase, the ESOP Purchase and the Series E Warrant Subscription having been made to the competent merger control authority in each relevant jurisdiction (including to MOFCOM in the PRC) and all approvals, consents or clearances for the Series E Warrant Subscription having been obtained without further in-depth proceedings having been initiated;

(10) *No Issue.* No shares or securities convertible into shares having been issued by Lattice Power or its subsidiaries since the date of the Series E Warrant Subscription Agreement other than as contemplated in the Transaction Documents, and no further options under the ESOP shall be granted after the date of the Series E Warrant Subscription Agreement;

(11) *No Injunction.* No injunction, interim or otherwise, having been granted which would prohibit Lattice Power from entering into and performing its obligations under the Series E Warrant Subscription Agreement;

(12) *Litigation.* There being no litigation pending against Lattice Power that, if decided adversely, would inhibit or otherwise delay the consummation of the transactions contemplated in the Transaction Documents; and

(13) *Share Purchase Agreement.* The Share Purchase Agreement having been agreed and signed by the parties thereto and all conditions thereunder having been fulfilled or duly waived.

Further Explanation of Conditions Precedent and their Status

In relation to condition 9 above, an application will be filed to MOFCOM for anti-monopoly investigation prior to completion of the Acquisition and the Series E Warrant Subscription if certain thresholds are exceeded. Upon such filing, MOFCOM will conduct a preliminary review within 30 days if certain thresholds are exceeded. Upon such filing, MOFCOM will conduct a preliminary review within 30 days of receipt of the filing and may conduct further in-depth investigation. As the thresholds relating to the turnover requirements of Lattice Power have not been exceeded, the Company is not required to file any applications to MOFCOM in respect of the Acquisition and the Series E Warrant Subscription. As a result, as at the Latest Practicable Date, condition 9 has been satisfied.

As at the Latest Practicable Date, the Share Purchase Agreement referred to in condition 13 has been signed and condition 9 has been satisfied.

Termination

If one or more of the conditions precedent remains unsatisfied at the completion of the Share Purchase Agreement and has not been waived on or before that date, the Company may give notice to terminate its Series E Warrant Subscription under the Series E Warrant Subscription Agreement.

The Company may cancel the Series E Warrant Subscription if: (i) anything has occurred which has or may reasonably be expected to have a Material Adverse Effect or there exists any situation which indicates that performance by, among others, Lattice Power under the Series E Warrant Subscription Agreement cannot be expected, or (ii) there has been any breach or violation of any provision of, or any representation, warranty or covenant contained in the Series E Warrant Subscription Agreement by the Series E Warrantors, Lattice Jiangxi or any relevant party.

Upon any such cancellation, each party's further rights and obligations shall terminate immediately.

Other Key Terms

(1) *Merger Control.* In the event that the transactions contemplated by the Series E Warrant Subscription Agreement trigger in-depth proceedings, each of the parties undertakes to use its reasonable endeavours to persuade such merger control authorities to permit the Series E Warrant Subscription Agreement; and

(2) *Indemnity.* The Series E Warrantors agree to indemnify the Company and its affiliates, shareholders, employees, officers, directors and agents from any loss relating to or arising out of any breach of any representations, warranties or covenants made by the Series E Warrantors in the Series E Warrant Subscription Agreement up to the aggregate amount paid by the Company for its Series E Warrants.

Completion of the Series E Warrant Subscription

The Series E Warrant Subscription shall take place the date of completion of the Share Purchase Agreement or such other date as agreed between the parties.

The Company will further comply with the applicable Listing Rules requirements upon exercise of the Series E Warrants.

CALL OPTION

In consideration of the entering into of the Share Purchase Agreement by the Company and in order to induce the Company to enter into and perform the obligations under the Share Purchase Agreement, each of the Existing Warrantholders (and who are also Shareholders Sellers) have also entered into the Call Option Agreements on 20 May 2015, pursuant to which such Existing Warrantholder granted a call option in favour of the Company all or any part of its Warrant Conversion Shares to be issued upon conversion of the Existing Warrants, and provided an undertaking to restrict the timing to exercise the Existing Warrants.

(D) THE CALL OPTION AGREEMENTS

A summary of the principal terms of the Call Option Agreements is set out as follows:

Date

20 May 2015

Parties

Grantors	:	Each of the Existing Warrantholders (and who are also Shareholder Sellers under to the Acquisition including AP Resources)
Grantee	:	The Company

Call Option

The Company shall have the option, at its sole discretion, to acquire all or any part of the Warrant Conversion Shares to be issued upon conversion of the Existing Warrants from each of the Existing Warrantholders on a date within the Call Option Period designated at a per share price equal to the Sale Share Price.

Exercise of the Call Option

The Existing Warrantholders, each as a Grantor shall, upon conversion of any of the Existing Warrants into Warrant Conversion Shares, serve the Grantor Notice. The Call Option Period shall be any time during the twenty-one (21) days from the receipt of the Grantor Notice by the Company. The date of exercise of the Call Option is the date on which the Company serves the Call Notice on the Grantor.

Completion

The completion of the Call Option shall take place on a date designated by the Company which shall be no less than three Business Days and no later than 2 months after the date on which the Company serves the Call Notice on the Grantor, or in the case shareholders' approval of the Company is required for the exercise of the Call Option, completion shall take place within five Business Days after such shareholders' approval is obtained.

Consideration

No additional consideration is payable by the Company for the acquisition of the Call Option.

The exercise price of the Call Option shall be equal to the Sale Share Price per Warrant Conversion Share. In the event the Call Option is exercised in full (the exercise of which is at the discretion of the Company), the aggregate consideration payable by the Company upon exercise of the Call Option will be HK$2,446,553,075 which shall be paid in cash.

The Company will further comply with the applicable Listing Rules requirements upon exercise of the Call Option.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Completion and the ESOP Completion other than as a result of the allotment and issue of the Consideration Shares), without taking into account any conversion of outstanding Convertible Bonds, are summarised as follows:

Name of Shareholder	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Cheng Kin Ming and his controlled entities (including Peace Link Services Limited and AP Resources) *(Note 1)*	641,653,933	20.82	717,211,124	20.64
Tang Guoqiang *(Note 2)*	268,223,960	8.70	287,118,898	8.26
Zhang Yi *(Note 3)*	512,000	0.02	512,000	0.01
Other public shareholders *(Note 4)*	2,171,810,208	70.46	2,469,665,124	71.09
Total	3,082,200,101	100.00	3,474,507,146	100.00

Notes:

1. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited which in turn is the beneficial owner of 100% shareholding in AP Resources, which in turn is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Mr. Cheng Kin Ming indirectly holds 638,201,933 Shares owned by Peace Link Services Limited. Mr. Cheng Kin Ming is also the beneficial owner of 3,452,000 Shares. Upon Completion, 75,557,191 new Shares will be issued to AP Resources (or as it may direct) as consideration pursuant to the Share Purchase Agreement.

2. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and therefore, Mr. Tang Guoqiang is deemed to be interested in the 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO. Mr. Tang Guoqiang is one of the Sellers who will receive 18,894,938 new Shares as consideration pursuant to the Share Purchase Agreement.

3. Mr. Zhang Yi is a Director of the Company. He is also the beneficial owner of 512,000 Shares of the Company.

4. Including a total of 22,038,922 new Shares to be issued to Mr. Wang Min and Mr. Sonny Wu, current directors of Lattice Power, upon the ESOP Completion pursuant to the ESOP Purchase Agreement. As Lattice Power will become a non wholly-owned subsidiary of the Company upon ESOP Completion (which shall

occur simultaneously with Completion), such person may become a connected person of the Company upon ESOP Completion pursuant to Rule 14A.07(1) of the Listing Rules subject to any change to management which may be agreed prior to ESOP Completion.

SHAREHOLDING STRUCTURE OF LATTICE POWER AFTER THE ACQUISITION

	As at the Latest Practicable Date				Immediately after the Acquisition			
Name of shareholders of Lattice Power	Number of Lattice Power Shares	Number of Existing Warrants	Number of Lattice Power Shares and Existing Warrants	% of the issued share capital of Lattice Power	Number of Lattice Power Shares	Number of Warrants	Number of Lattice Power Shares and Warrants	% of the issued share capital of Lattice Power (as enlarged by the exercise of 51% of the Options under the ESOP)
The Company	—	—	—	—	49,086,570	84,149,220	133,235,790	53.83
AP Resources	18,537,100	21,741,281	40,278,381	28.49	9,083,179	31,466,087 *Note 2*	40,549,266	16.38
Tang Guoqiang	4,635,659	5,188,150	9,823,809	6.95	2,271,473	7,473,864 *Note 3*	9,745,337	3.94
Others (including 51% ESOP assuming the options have been exercised) *Note 1*	59,355,419	31,939,678	91,295,097	64.56	22,086,956	41,909,300 *Note 4*	63,996,256	25.85
Total	82,528,178 *Note 5*	58,869,109	141,397,287	100.00	82,528,178	164,998,471	247,526,649	100.00

Notes:

1. Pursuant to the ESOP Purchase Agreement, 51% of the Options granted under the ESOP shall be exercised prior to the ESOP Completion, that is, the ESOP Sale Shares (14,280,000 Lattice Power Shares). For illustration purpose, this row has taken into account the Lattice Power Shares to be issued upon conversion of such 51% of Options.

2. AP Resources subscribed for 9,724,806 Series E Warrants pursuant to the Series E Warrant Subscription Agreement.

3. Mr. Tang Guoqiang subscribed for 2,285,714 Series E Warrants pursuant to the Series E Warrant Subscription Agreement.

4. The subscribers other than the Company, AP Resources and Mr. Tang Guoqiang subscribed for 9,969,622 Series E Warrants pursuant to the Series E Warrant Subscription Agreement.

5. This figure assumes that all the preferred shares of Lattice Power currently in issue (excluding the number of preferred shares of Lattice Power that the Existing Warrants will be converted into, if exercised) have been converted into common shares of Lattice Power at a conversion ratio of 1:1. As at the Latest Practicable Date, there are 64,282,464 preferred Shares of Lattice Power in issue and outstanding.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THE AGREEMENTS

Save as disclosed below, the Company has not conducted any other fundraising activities in the past twelve months prior to the date of the Agreements.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
28 October 2014	Issue of convertible bonds in the principal amount of not more than HK$2,800,000,000	Approximately HK$1,708.0 million	It is expected that the proceeds will be used to fund the Group's capital expenditure for its existing solar power projects and for general corporate purposes	Used as intended

INFORMATION ON THE PARTIES

(a) The Company

The Company has committed itself to become the world leading provider for overall clean energy solutions. Through strategic acquisition and integration, the Company currently owns various product technologies of many famous brands in the industry, leading to the overall solutions for clean energies. At present, the product technologies owned by the Company are capable of realizing the on-going optimization for the generation of energies, such as solar and wind energy, seawater power generation and geothermal heat pump. The Company is capable of providing integrated solutions, coupled with energy management and storage, for the users of large-scale government public facilities, the commercial users including large-scale gymnasiums, commercial facilities, offices, schools and hospitals and the household users. Such solutions are able to save up to overall 50%-70% energy effectively on the basis of realizing green environmental protection.

(b) Lattice Power and its subsidiaries

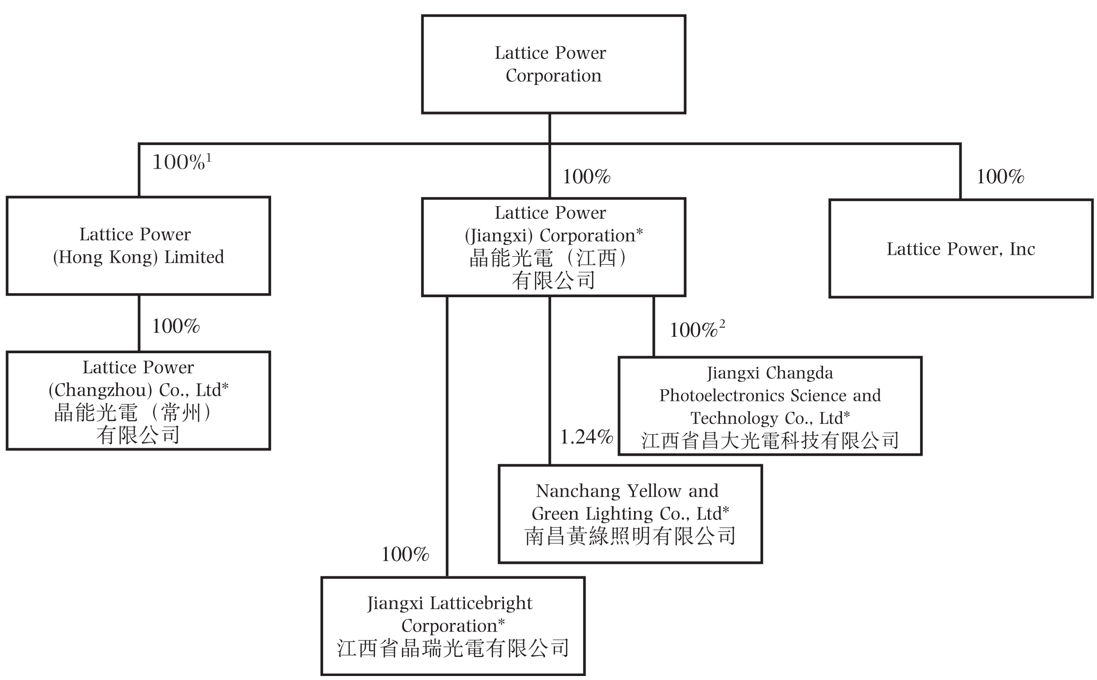
Lattice Power is a company incorporated in the Cayman Islands, principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. As a technology leader in GaN-on-Silicon LED technology, Lattice Power is the first company in the world to start the mass production of GaN-on-Silicon high power thin film vertical LED chips with industry-leading performance. Lattice Power also owns significant patents and IP on the GaN-on-Silicon LED technology and is developing production on even larger wafer sizes (150–200 mm diameter) and integrated wafer-level packaging for driving down costs and increasing lumens/dollar.

The financial information extracted from the audited consolidated financial statements of Lattice Power and its subsidiaries for the two financial years ended 31 December 2013 and 31 December 2014 is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	US$'000	*US$'000*
	(audited)	(audited)
Revenue	59,361	34,868
Net loss before tax[1]	27,995	13,686
Net loss after tax	29,359	12,691
Net assets	96,957	72,659

1. Despite the increase in turnover of approximately 70% in 2014, loss before taxation increased by approximately 105% in 2014 due to the recognition of non-recurring/one-off expenses, such as the changes in fair value of warrants and interest expense on convertible bonds amounted to approximately US$30.86 million during the year ended 31 December 2014.

As at the Latest Practicable Date, the shareholding structure of Lattice Power and its subsidiaries is as follows:



* *For identification purposes only*

1. Previously, Mr. Sonny Wu, a director of Lattice Power, held all of the shares of Lattice Power (Hong Kong) Limited on trust solely for the benefit of Lattice Power. This trust arrangement has been removed.

2. Perviously, Mr. Xiaofeng Pan held 49.5% of Jiangxi Changda on trust for Lattice Jiangxi. This trust arrangement has been removed. The 1% minority interest held by Mr. Wang Gang in Jiangxi Changda has been transferred to Lattice Jiangxi.

Lattice Power (Hong Kong) Limited is the holding company of Lattice Power (Changzhou) Co., Ltd.

Lattice Power (Changzhou) Co., Ltd is engaged in the following businesses — the research, development and production of high power Silicon LED epitaxial wafer and chips, and LED epitaxial wafer (blue light) with a power density greater than 120 lm/W; the sale of self-produced products and provision of technical support and consulting; the domestic purchase, wholesale, commission agency (excluding auction) and import and export of high power LED epitaxial wafer and chips, LED raw materials, LED device and applications; and working with the local government on the development and growth of the optoelectronics industry.

Lattice Jiangxi is engaged in the following businesses — the research, development, production and sale of microelectronic and optoelectronic material, chips and devices; the research, development, production and sale of semiconductor lighting products; energy management and service; the leasing of LED lighting products; the production and sale of hydrogen (the lease of which will expire on 22 June 2017); and working with the local government on the development and growth of the optoelectronics industry.

Jiangxi Changda is engaged in the following businesses — the production and sale of semiconductor lighting chips and display screen; the research, development, production and sale of optoelectronic materials, devices, modules, machines, equipment; technical consulting, training, technology transfer and services; the development of high-tech products; and self-dealing and agency of various products and the import and export of technologies.

Lattice Power (Changzhou) Co., Ltd, Lattice Jiangxi and Jiangxi Changda are considered significant subsidiaries within the Lattice Power Group in terms of operations.

(c) The Shareholder Sellers

AP Resources is principally engaged in the business of investment. It is wholly beneficially owned by Mr. Cheng Kin Ming.

Banean Holdings Ltd is engaged in strategic investments. It is owned by Mr. Peng Tsin Ong and Ms. Wai Ping Leong.

CH Investments Ltd's primary business is to hold shares in Lattice Power. The sole voting shareholder of CH Investments Ltd is Crescent Point LCL Ltd. Crescent Point LCL Ltd is ultimately beneficially owned by David Hand, Sami Sindi and Richard Scanlon.

Daystar Holdings LLC is engaged in strategic investments. It is owned by Mr. Cole Sirucek.

Dunearn Investments (Mauritius) Pte Ltd is an investment holding company. Its immediate shareholder is Seletar Investments Pte Ltd.

G-O Scale Capital Management Co., LLC is a growth stage fund. It is owned by Mr. Sonny Wu and Mr. Allan Kwan.

Great Hunter International Limited is engaged in strategic investments. It is owned by Mr. Wang Gang.

GSR Ventures I, L.P. is a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. It focuses its investments in digital media, software, energy and technology. The general partner of GSR Ventures I, L.P. is GSR Partners I, L.P. GSR Partners I, L.P.'s general partner is GSR Partners I, Ltd, which is owned by Mr. Richard Lim, Mr. Sonny Wu, Mr. James Jian Ding, Mr. Alexander Pan and Ms. Ryann Yap.

GSR Principals Fund I, L.P. is a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. It focuses its investments in digital media, software, energy and technology. The general partner of GSR Principals Fund I, L.P. is GSR Partners I, L.P. GSR Partners I, L.P.'s general partner is GSR Partners I, Ltd, which is owned by Mr. Richard Lim, Mr. Sonny Wu, Mr. James Jian Ding, Mr. Alexander Pan and Ms. Ryann Yap.

GSR Ventures III, L.P. is a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. It focuses its investments in digital media, software, energy and technology. The general partner of GSR Ventures III, L.P. is GSR Partners III, L.P. GSR Partners III, L.P.'s general partner is GSR Partners III, Ltd, which is owned by Mr. Richard Lim, Mr. Sonny Wu, Mr. James Jian Ding, Mr. Alexander Pan and Ms. Ryann Yap.

GSR Opportunities IV, L.P. is a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. It focuses its investments in digital media, software, energy and technology. The general partner of GSR Opportunities IV, L.P. is GSR Partners IV, L.P. GSR Partners IV, L.P.'s general partner is GSR Partners IV, Ltd, which is owned by Mr. Richard Lim, Mr. Sonny Wu, Mr. James Jian Ding, Mr. Alexander Pan, Ms. Ryann Yap and Mr. Allen Zhu.

GSR Principals Fund IV, L.P. is a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. It focuses its investments in digital media, software, energy and technology. The general partner of GSR Principals Fund IV, L.P. is GSR Partners IV, Ltd, which is owned by Mr. Richard Lim, Mr. Sonny Wu, Mr. James Jian Ding, Mr. Alexander Pan, Ms. Ryann Yap and Mr. Allen Zhu.

Keytone Ventures L.P. is a China-focused venture capital fund investing in early- and growth-stage companies in emerging industries with innovative technologies and business models.

The Li/Liu Family Trust is engaged in strategic investments. It is owned by Ms. Ziting Liu.

Mayfield XII (a Delaware Limited Partnership), Mayfield Associates Fund XII (a Delaware Limited Partnership) and Mayfield Principals Fund XII (a Delaware Multiple Series LLC) are each venture capital funds that invest primarily in early stage technology companies. Mayfield XII Management, L.L.C. is the sole general partner of each of Mayfield XII and Mayfield Associates Fund XII and is the sole managing director of Mayfield Principals Fund XII.

SEFAM Inc. is engaged in strategic investments. It is owned by Mr. Moses Asom.

Silverpointe Investments Ltd is engaged in strategic investments. It is owned by Mr. Yang Yang.

Signeo Limited is engaged in strategic investments. It is owned by AV Concept Holdings Limited.

Yuntian Investment Company Limited is engaged in strategic investments. It is owned by Ms. Yun Xiang.

Andrew Yeo Khee Kuat, Tang Guoqiang, So Chi On, James H Boettcher, Jia-Fann Chen, Chei-Chan Kau, Edward B Roberts, Wesley Wong, Guang Hua Zhou and Deqing Liu are individual shareholders of Lattice Power.

(d) The ESOP Sellers

The ESOP Sellers are employees of Lattice Power.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board considered the following benefits of acquiring Lattice Power as a non wholly-owned subsidiary of the Company:

1. LED lighting is an important link in the solutions for low-carbon cities, low-carbon communities, and low-carbon families, which is in compliance with the development strategies of the Company as a provider for comprehensive low-carbon and energy-saving solutions.

2. Lattice Power owns the disruptive 6-inch and 8-inch GaN-on-Silicon LED technology, with over 200 global patents awarded. Its vertical integration of the LED industrial chain and successful commercial mass production have resulted in the supply of low-cost LED lighting products featuring high performance for the purpose of general lighting, smart phone and automobile lighting.

3. As a persistent, reliable, energy-saving lighting technology featuring high performance, LED lighting has vast and bright market prospects. LED lighting, which saves 50%–80% energy in comparison to the ordinary lighting, will definitely replace the traditional

lighting in every aspect. The revolutionary GaN-on-Silicon LED technology of Lattice Power leads to the drastic reduction in production cost when compared to the traditional GaN-on-Sapphire LED, which will result in the tremendous contribution to the profit of the Company. By virtue of the prominent core technology of Lattice Power, the Company will proceed with the timely integration of the industrial chain on global basis in order to secure greater benefits.

Prior to the Acquisition, Lattice Power issued the Existing Warrants to the Existing Warrantholders. To avoid any dilution effect as a result of the full conversion of such Existing Warrants which would affect the Company's control over Lattice Power, the Company has also agreed to subscribe for the Series E Warrants and obtained the Call Option as part and parcel of the Transaction.

Based on the above, the Board considers that the terms of the Acquisition, the Series E Warrant Subscription and the Call Option are in the ordinary and usual course of business of the Company, on normal commercial terms, is fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the percentage ratios pursuant to the Listing Rules applicable to the Transaction exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The exercise of the Series E Warrants and the Call Option is at the discretion of the Company. Under Rule 14.75 of the Listing Rules, only the premium for the issue of the Series E Warrants and the grant of the Call Option shall be taken into consideration for the purpose of determining the applicable percentage ratios under the Chapter 14 of the Listing Rules. The Company will comply with applicable requirements under the Listing Rules upon exercise of the Series E Warrants and/or the Call Option.

As at the Latest Practicable Date, AP Resources, one of the Shareholder Sellers, is indirectly wholly owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company holding approximately 20.82% of the total issued share capital of the Company. Thus, AP Resources is a connected person of the Company and the Transaction (insofar the Agreements relate to AP Resources) also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, among other conditions, the approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of the Listing Rules.

Save as to AP Resources, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Shareholder Sellers, Mr. Wang Min, the ESOP Sellers, the holders of the Series E Warrants, Lattice Power, and their ultimate beneficial owners (if applicable) are third parties independent of the Company and connected persons of the Company.

As Mr. Cheng Kin Ming, a substantial shareholder of the Company, is interested in the Transaction, Mr. Cheng Kin Ming and his associates (including Peace Link Services Limited) will abstain from voting at the EGM in respect of the resolutions to approve the Transaction and the Specific Mandate.

EGM

The EGM will be convened at which resolutions will be proposed to seek approval of the grant of the Specific Mandate to the Directors and the entering into of the Agreements by the Company (and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares under the Specific Mandate). Pursuant to the Listing Rules, Mr. Cheng Kin Ming and his associates (including Peace Link Services Limited) will abstain from voting on the resolutions at the EGM.

A notice convening the EGM is set out on pages 100 to 101 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The resolutions to approve the grant of the Specific Mandate to the Directors and the entering into of the Agreements by the Company (and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares) at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Transaction, the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares. Fortune Financial Capital, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Agreements and the transactions contemplated thereunder (insofar they relate to AP Resources).

Other than Mr. Lu Bin, a Director, who is the brother-in-law of Mr. Cheng Kin Ming, no other Directors have a material interest in the Transaction. Mr. Lu Bin has abstained from voting on the meeting of the Board for considering and approving the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the allotment and issue of the Consideration Shares are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Agreements and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 45 to 46 of this circular which contains its views in relation to the Transaction. The Independent Board Committee, having taken into account, the advice of the Independent Financial Adviser, the text of which is set out on pages 47 to 73 of this circular, considers that the terms of the Agreements and the allotment and issue of the Consideration Shares (insofar they relate to AP Resources) are fair and reasonable so far as the Company and the Independent Shareholders are concerned as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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)

13 July 2015

To the Independent Shareholders

Dear Sir or Madam,

(A) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 59% EQUITY INTEREST OF LATTICE POWER CORPORATION (B) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 13 July 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Share Purchase Agreement, the ESOP Purchase Agreement, the Series E Warrant Subscription Agreement and the Call Option Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Transaction, the Agreements entered into with various parties (including a connected person) and the allotment and issue of the Consideration Shares to such parties pursuant to the Acquisition, and to recommend how the Independent Shareholders should vote at the EGM. Fortune Financial Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Agreements and the transactions contemplated thereunder (insofar they relate to AP Resources).

We wish to draw your attention to the letter from the Board, as set out on pages 9 to 44 of the Circular, and the letter from Fortune Financial Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Transaction, the Agreements and the transactions contemplated thereunder, as set out on pages 47 to 73 of the Circular.

Having taken into account the advice of Fortune Financial Capital, we consider that the terms of the Agreements, the Transaction and the allotment and issue of the Consideration Shares to such parties (including a connected person) pursuant to the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Kwong Wai Sun Wilson	**Mr. Tao Wenquan**	**Mr. Zhao Yuwen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for inclusion in this circular.

富強金融資本
FORTUNE FINANCIAL CAPITAL

Fortune Financial Capital Limited
35th Floor
Office Tower Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

13 July 2015

The Independent Board Committee and the Independent Shareholders
of Shunfeng International Clean Energy Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 59% EQUITY INTEREST OF LATTICE POWER CORPORATION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder (insofar they relate to AP Resources, which is a connected person of the Company) details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 13 July 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 20 May 2015, the Board announced that the Company and the Shareholder Sellers and the ESOP Sellers entered into the Share Purchase Agreement and the ESOP Purchase Agreement respectively, pursuant to which, amongst others, the Company has conditionally agreed to purchase and the Sellers have agreed to sell, subject to the fulfillment of certain conditions, the 59% equity interests held in aggregate by the Sellers in Lattice Power for the Consideration of approximately HK$2,039,998,496, which shall be satisfied in full by the Company allotting and issuing Consideration Shares at the Issue Price to the Sellers under Specific Mandate. Furthermore, the Company entered into the Series E Warrant Subscription Agreement and Call Options Agreements with various parties. Under both agreements, the Company has the right to acquire more Lattice

Power Shares upon exercise of its Series E Warrants and the Call Option (subject to various conditions) in addition to those acquired under the Share Purchase Agreement and the ESOP Purchase Agreement.

Since the percentage ratios applicable to the Transaction exceed 5% but are less than 25%, as determined in accordance with Rule 14.07 of the Listing Rules, the Transaction constitutes a discloseable transaction of the Company for the purpose of Chapter 14 of the Listing Rules. Further, as at the Latest Practicable Date, AP Resources, one of the Shareholder Sellers, is indirectly wholly owned by Mr. Cheng Kin Ming, a substantial shareholder holding approximately 20.82% of the total issued share capital of the Company. Thus, AP Resources is a connected person of the Company and the Transaction (insofar the Agreements relate to AP Resources) also constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

As at the Latest Practicable Date, Mr. Cheng Kin Ming, a substantial shareholder, is interested in the Transaction. As such, Mr. Cheng Kin Ming and his associates (including Peace Link Services Limited) will abstain from voting at the EGM in respect of the proposed resolutions relating to the Transaction and the Specific Mandate. As at the Latest Practicable Date, the abovementioned Shareholders who will abstain from voting at the EGM hold an aggregate of 641,653,933 Shares, representing approximately 20.82 % of the issued capital of the Company.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Kwong Wai Sun Wilson, Mr. Tao Wenquan and Mr. Zhao Yuwen, has been formed to advise the Independent Shareholders in relation to the Transaction, the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares insofar they relate to AP Resources.

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the management of the Company or professional advisers of the Company. We have assumed that all information and representations provided by the Directors, the management of the Company or professional advisers of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors, the management of the Company or professional advisers of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospects of the Group, the Lattice Power Group or any of their respective associates.

In relying on the Valuation Report prepared by Grant Sherman (the "**Valuer**"), we have reviewed the fairness, reasonableness and completeness of any assumptions or projections made by the Valuer in the Valuation Report. In relation to the Valuer providing an opinion or valuation relevant to the fair market value of 59% equity interest in Lattice Power, we (i) have interviewed the Valuer as to its expertise and any current or prior relationships with the Company, the Lattice Power Group or any of their respective associates; (ii) have reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitation on the scope of work which might adversely impact on the level of assurance given by the Valuation Report); and (iii) have discussed with the valuer in respect of its work done (for details, please refer to the sub-section headed "2) Principal terms of the Share Purchase Agreement and the ESOP Purchase Agreement (ii) Evaluation of the basis of the Consideration (a) Assessment on the Valuation Report" in the letter below).

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter was issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Agreements and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares insofar they relate to AP Resources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following factors and reasons. Our conclusions are based on the results of our analyses taken as a whole.

(1) Background of and reasons for the Acquisition

(i) *Information of the Group and the Group's recent development in energy saving area*

The Company was incorporated in Cayman Islands with limited liability and its ordinary shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company. As set out in the Letter from the Board, the Company has committed itself to become the world leading provider for overall clean energy solutions. Through strategic acquisition and integration, the Company currently owns various product technologies of many famous brands in the industry, leading to the overall solutions for clean energies. At present, the product technologies owned by the Company are capable of realising the on-going optimisation for the generation of energies, such as solar and wind energy, seawater power generation and geothermal heat pump. The Company is capable of providing integrated solutions, coupled with energy management and storage, for the users of large-scale government public facilities, the commercial users including large-scale gymnasiums, commercial facilities, offices, schools and hospitals and the household users. Such solutions are able to save up to overall 50%–70% energy effectively on the basis of realising green environmental protection.

As set out in the interim report for the six months ended 30 June 2014 (the "**IR 2014**"), the Group will target to become a leading renewable and clean energy provider, manufacturer and operator, focusing on the improvement of the future energy supply structure in China and the world.

As disclosed in the announcement of the Company dated 23 March 2015, the Company entered into a memorandum of understanding with Lattice Power, pursuant to which the Company proposed to acquire 51% of the issued share capital of Lattice Power (the "**Proposed Acquisition**"). As at 23 March 2015, the memorandum of understanding did not create legally binding obligations on the parties in relation to the Proposed Acquisition. The Proposed Acquisition is subject to the negotiation and execution of a formal sale and purchase agreement. The Company believed that, through strategic acquisition and integration, it is capable of providing integrated solutions in energy saving and realising green environmental protection. On 20 May 2015, the Company and the Sellers entered into the Acquisition to materialise the Proposed Acquisition.

On 30 March 2015, the Company entered into a green strategic cooperation framework agreement with Changzhou Municipal People's Government for promoting the green development of production and lifestyle, improving the green level in economy, and achieving changes in the directions of economised, green and low-carbon, and civilized and healthy lifestyles and consumption patterns in Changzhou, PRC. It is the first green energy saving model city for which the Company plans to provide green, low-carbon and energy saving integrated solutions.

As set out in the annual report for the year ended 31 December 2014 of the Company (the "**AR 2014**"), the Group's mission is to provide clean, efficient and energy-saving integrated energy solutions. The Group is ready to establish itself as one of the global major providers of clean energy offering low-carbon and energy-saving integrated solutions and LED lighting is an important link in the solutions for low-carbon cities, low-carbon communities and low-carbon families.

(ii) ***Financial performance and position of the Group***

Set out below are the audited consolidated financial information of the Group for the year ended 31 December 2013 and 2014 as extracted from AR 2014:

	Year ended 31 December	
	2014	**2013**
	RMB'000	*RMB'000*
Revenue	5,745,939	1,529,676
Cost of sales	(4,474,096)	(1,378,441)
Gross Profit	1,271,843	151,235
Profit (loss) before tax	1,453,762	(1,801,936)
Income tax expense	(149,733)	(15,557)
Profit (loss) for the year	1,304,029	(1,817,493)
Profit (loss) for the year attributable to:		
owners of the Company	1,307,878	(1,815,641)
non-controlling interests	(3,849)	(1,852)

	As at 31 December	
	2014	**2013**
	RMB'000	*RMB'000*
Non-current assets	15,239,611	8,540,422
Current assets	5,892,099	1,098,160
Total assets	21,131,710	9,638,582
Current liabilities	7,749,479	7,069,925
Non-current liabilities	7,255,233	787,434
Total liabilities	15,004,712	7,857,359
Equity attributable to owners of the Company	6,121,854	1,777,211

According to the AR 2014, revenue and gross profit of the Group have increased by approximately 275.6% and 741.0%, respectively, for the year ended 31 December 2014, as compared to those of the corresponding period in 2013. The aforementioned increase in revenue was mainly due to the significant improvement in sales volume of solar products manufacturing and trading as a result of the completed acquisition of Wuxi Suntech Power Co., Ltd during the year 2014, whilst the significant increase in gross profit was primarily a result of the decrease in the average processing costs and the reversal of inventory impairment provision recognised in previous years.

Furthermore, the Group's profit for the year attributable to owners of the Company for the year ended 31 December 2014 amounted to approximately RMB1,307.9 million as compared with the loss attributable to the owners of the Company of approximately RMB1,815.6 million in the corresponding period of 2013. The overturn from loss position in 2013 to profit recorded in 2014 was primarily attributable to (i) significant increase in revenue and gross profit as abovementioned; (ii) an increase in other income of approximately RMB191.3 million which was mainly attributable to the increase in the government grants received from the local government by the PRC operating entities of the Group and technical advisory income generated from providing technology consulting services by the Group; and (iii) the gain on change in amortisation period of the liability component of convertible bonds recorded by the Group during the year ended 31 December 2014.

(iii) ***Information of the Lattice Power Group***

As stated in the Letter from the Board, Lattice Power, a company incorporated in the Cayman Islands with limited liability, is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, liquid crystal display ("**LCD**") backlighting and related industries. As a technology leader in GaN-on-Silicon LED technology, Lattice Power is the first company in the world to start the mass production of GaN-on-Silicon high power thin film vertical LED chips with industry-leading performance. Lattice Power also owns significant patents and intellectual property on the GaN-on-Silicon LED technology and is developing production on even larger wafer sizes (150-200mm diameter) and integrated wafer-level packaging for driving down costs and increasing lumens per dollar.

According to information provided by the Company and as discussed with the management of the Company, the business strategies of the Lattice Power Group are to focus on higher margin leading edge chip products, taking the advantage of lower cost structure of GaN-on-Silicon technology by migrate 6 inch and implementing vertical integration with chip and packaging to offer superior products and extend to LED modules. The Lattice Power Group had started to offer its customers a total solution for their lighting needs since 2013. The headquarter of the Lattice Power Group is located at Nanchang, Jiangxi province, PRC.

(iv) ***Financial information of the Lattice Power Group***

As provided by the Company, set out below are the financial information extracted from the audited consolidated financial statements of Lattice Power and its subsidiaries for the two financial years ended 31 December 2014.

	Year ended 31 December	
	2014	**2013**
	US$'000	*US$'000*
Revenue	59,361	34,868
Net (loss) before tax	(27,995)	(13,686)
Net (loss) after tax	(29,359)	(12,691)

	As at 31 December	
	2014	**2013**
	US$'000	*US$'000*
Non-current assets	94,759	105,495
Current assets	101,926	53,724
Total assets	196,685	159,219
Current liabilities	95,933	70,383
Non-current liabilities	3,795	16,177
Total liabilities	99,728	86,560
Net assets	96,957	72,659

According to the information provided by the Company, the increase in revenue of Lattice Power Group for the year ended 31 December 2014 when comparing to the corresponding figure for the year ended 31 December 2013 was due to the fact that Lattice Power has extended its offerings to downstream LED package and module after the successful commercialized production of GaN-on-Silicon wafer. However, as the production in GaN-on-Silicon wafer is still at the development stage which require significant investment in research and development and the non-recurring expenses, such as the changes in fair value of warrants and interest expense on convertible bond, was recorded during the year ended 31 December 2014, Lattice Power Group recorded an increase in net loss after tax for the year ended 31 December 2014 as compared to that of the corresponding figure in 2013.

(v) *Reasons for and benefits of the Acquisition*

(a) *Overview of the LED lighting industry*

Upon our research on the LED industry, we understand that LED is a revolutionary breakthrough in originating a light source as compared to the traditional lighting sources like incandescent light bulb or fluorescent lamp. LED is able to transform electricity to light with less energy consumed than incandescent lighting sources (typically use about 50% to 80% less energy than traditional incandescent bulbs) and has a longer lifetime and lower carbon emission rate. LED chip products are commonly used in commercial display, display panels on consumer and industrial electronics, LCD backlighting and general lighting application.

The PRC government has promulgated "半導體照明科技發展"十二五"專項規劃" on 3rd July 2012, which provides that the central government of the PRC encourages the development in standardisation in LED lighting and expansion in the industry market size. The PRC government is determined to improve lighting efficiency and reduce greenhouse gas emissions. According to an announcement jointly issued by the National Development and Reform Commission of the PRC and other government authorities on 1 November 2011, China had banned the imports and sales of all incandescent bulbs over 100 watts starting since 1 October 2012, and it is expected that the ban will extend to incandescent bulbs over 15 watts on 1 October 2016.

The main entry barrier to LED industry remains with the heavy capital requirement in research and development and patent rights. Technology in LED is constantly evolving and advancing. Market participants are expected to invest huge amount of resources in research and development in order to keep up with the progress of the competitors. Furthermore, once the breakthrough on LED technology is patented, other market participants' investment on research and development in the same area will be in vain. Last but not least, the LED industry is consumer-oriented. LED industry players have to take care of consumer's preference, such as energy efficiency, durability and the expectation on the level of luminance in order to avoid being eliminated from the market.

(b) *Reasons for the Acquisition*

As set out in the Letter from the Board, the Board considered that LED lighting is an important link in the solutions for low-carbon cities, low-carbon communities and low-carbon families. We noted from the AR 2014 that "the extensive business of the Group covers clean energy supply, energy development, technological innovation and application in the relevant clean energy fields such as solar power generation, wind power generation, geothermal power generation and sea water power generation, as well as development and manufacturing of energy storage technology and energy storage products, ***establishing the Group as one of the global major suppliers of clean energy offering low-carbon and energy-saving integrated solutions with an ever-stronger leading position.***" As the LED lighting is a promising and sustainable way to achieve the objective of energy-saving, together with its relatively low carbon emission rate, we are of the opinion that the Acquisition is able to assist the Group to achieve and employ its business strategy as aforementioned.

As advised by the Company, Lattice Power has made great effort on research and development in areas related to LED chip products in the past few years. It has achieved various revolutionary evolvements in LED technology and has been awarded with over 200 global patents. As at the Latest Practicable Date and as confirmed by the Company, the Group has placed its focus in the solar energy industry since incorporation. Hence, the Group did not allocate any research and development resources to the LED related area. By acquiring the majority interest of Lattice Power, the Group instantly unlocks the door that leads to the latest technical development in LED technology without the hassle of trial and error. It also allows the Group to gain access to Lattice Power's research and development resources for future business development. Furthermore, as confirmed by the management of the Company, the Company intends to retain the core management of Lattice Power Group to continue their business operations. Upon our review on the personal resume of the core management of Lattice Power Group and our discussion with the management of the Company, we consider that the core management of Lattice Power Group possess relevant qualification and sufficient experience for the business operations of Lattice Power Group. As represented by the management of Lattice Power, the core management of the Lattice Power Group comprises a group of experienced professionals in the areas of LED chip product, LED lighting, LED technology, semiconductor, optoelectronics and accounting and finance, with an average industry experience of over 10 years. Having taken into account the entry barrier of the necessity of patents right and capital requirement in research and development to the LED industry as mentioned in the above "(a) Overview of the LED lighting industry" section, we consider the Acquisition enables the Group to explore the LED market through the leverage of experience of the core management of Lattice Power as well as the research conducted and the patents obtained by Lattice Power. We consider the Acquisition is beneficial to the Company.

Lighting products, including all kind of luminous appliances, accounted for a substantial portion in daily consumed energy. Increasing environmental consciousness has contributed to a preference to adopt different energy-saving measures on lighting products. As set out in the Letter from the Board, LED lighting is able to save 50%-80% energy as compared to traditional lighting. Given the high efficiency in LED and the national policy implemented by the PRC in replacing traditional light bulb, it is expected that LED lighting products will gradually replace traditional lighting products. The Directors represented that although Lattice Power Group was loss-making for the year ended 31 December 2013 and 2014, it is expected that the Acquisition will generate profit for the Group in the foreseeable future. According to the valuation model prepared by the Valuer and our discussion with the Valuer, it is expected that the Lattice Power

Group would generate a profit after tax amounted to approximately US$ 27.7 million, US$ 75.2 million and US$ 86.7 million for the year ending 31 December 2015, 2016 and 2017, respectively.

As shown in the AR 2014, the Group generated its revenue from three different segments, namely manufacturing and sales of solar products, solar power generation and plant operation and services. As discussed with the management of the Company, the Acquisition is going to bring along another revenue stream to the Group. In addition, the Acquisition will further extend the Group's ability in providing green, low-carbon and energy saving integrated solutions.

Taking into consideration of all factors discussed in the above, we are of the opinion that the reasons for entering into the Acquisition is fair and reasonable and in the interests of the Shareholders as a whole.

(2) Principal terms of the Share Purchase Agreement and the ESOP Purchase Agreement

Date of the Share Purchase Agreement and the ESOP Purchase Agreement

20 May 2015

Parties

(i) the Company;

(ii) the Sellers; and

(iii) in respect of the Share Purchase Agreement, the Warrantors.

Asset to be acquired pursuant to the Share Purchase Agreement and the ESOP Purchase Agreement

59% of the equity interest in Lattice Power

Consideration

The Consideration payable by the Company to the Sellers for the Acquisition is approximately HK$2,039,998,496 which shall be satisfied in full by the Company allotting and issuing 392,307,045 new Shares at the Issue Price to the Sellers under Specific Mandate upon completion of the Share Purchase Agreement and the ESOP Purchase Agreement.

Issue Price

HK$5.20 per Consideration Share

Further details of the principal terms of the Share Purchase Agreement and the ESOP Purchase Agreement are outlined in the Letter from the Board.

(i) ***Evaluation of the payment method***

Pursuant to the Share Purchase Agreement and the ESOP Purchase Agreement, the Consideration is approximately HK$2,039,998,496 shall be satisfied in full by the Company allotting and issuing 392,307,045 new Shares to the Sellers under Specific Mandate.

We noted from AR2014 that the Group's bank balances and cash and net current liabilities amounted to approximately RMB920.7 million and RMB1,857.4 million as at 31 December 2014, respectively. Moreover, as at 31 December 2014, the Group had total borrowings of approximately RMB6,110.7 million and the net debt to equity ratio was approximately 84.7%.

In this connection, given the fact that the Group does not have sufficient internal cash resources to settle the Consideration solely by cash, we consider that settlement of the Consideration by issuing Consideration Shares to each of the Sellers instead of making cash payment to be funded by the Group's cash balance and, as the case maybe, together with capital to be raised from borrowings will (i) minimise immediate cash outflow of the Group; (ii) avoid increasing the Group's liabilities burden; and (iii) enable the Company to maintain readily available and accessible cash resources to cope with its daily operations and future development demands for capital. Therefore, the payment method adopted under the Acquisition is appropriate.

(ii) ***Evaluation of the basis of the Consideration***

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and the Sellers on normal commercial term with reference to, among other things, the valuation of the fair market value of a 59% equity interest in Lattice Power performed by the Valuer of HK$2,400,000,000 as stated in the Valuation Report. As confirmed by the Directors, they considered that the Consideration is fair and reasonable and in the interests of the Shareholders as a whole.

We noted that the Consideration represents a discount of approximately 15.00% to the fair market value of a 59% equity interest in the business enterprise of the Lattice Power as at 31 March 2015 as appraised by the Valuer.

In assessing the fairness and reasonableness of the Consideration, we have performed (i) an analysis based on the Valuation Report; and (ii) the comparables companies analysis.

(a) *Assessment on the Valuation Report*

According to the Valuation Report and our discussion with the Valuer, we understood that the Valuer has considered three generally accepted approaches, namely the cost approach, market approach and income approach. The Valuer considered that, the cost approach and market approach are not appropriate for the valuation of the equity interest of Lattice Power since (i) the cost approach cannot reflect the fair market value of Lattice Power, which is driven by the future revenue generated; and (ii) the market approach is not reliable and accurate enough to draw a conclusion of the fair market value of Lattice Power without adequate historical earnings record. In this regards, the Valuer considered that the income approach is the most appropriate valuation approach for the valuation of Lattice Power after taking into account of key value drivers, business scale, model, strategies and objectives of Lattice Power Group and relevant supporting documents provided by the Company (including but not limited to, business expansion plan, potential sales orders and co-operation agreements signed with business partners of Lattice Power), such that the intrinsic business enterprise value of the Lattice Power Group can be estimated based on forecasts of fundamental conditions in the future rather than on current available data.

Taking into account the characteristics and business nature of the LED chip products industry, operating history of Lattice Power Group and other factors considered by the Valuer as mentioned in the above, we concur with the Valuer that the income approach is the most appropriate valuation approach for valuing the equity interest of Lattice Power.

In assessing the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation Report, we noted that the Valuer has made various general assumptions for the valuation of the 59% of equity interest of the Lattice Power. On one hand, we noted that Lattice Power Group incurred losses for the two years ended 31 December 2014. On the other hand, with reference to the conclusion of the Valuation Report, the appraised value of a 59% equity interest in the business enterprise of the Lattice Power as at 31 March 2015 is HK$2.40 billion. Upon our inquiry to the Valuer, we were being informed that the Valuer had considered a five-year financial projection (i.e. from year 2015 to 2019) prepared by Lattice Power's management and the underlying specific assumptions on the turnover, annual growth rates, cost of goods sold and gross profit, government subsidies, net profit, capital expenditure and terminal growth rate thereof in reaching the aforementioned result. Details of the aforementioned general assumptions and underlying specific assumptions are set out in the "Appendix I — Valuation Report — Basis of Valuation and Assumptions" to the Circular. During our discussion with the Valuer, we have reviewed and have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions for the valuation, financial projection and underlying specific assumptions adopted by the Valuer in the Valuation Report.

For due diligence purpose, we have (i) interviewed the Valuer and were given to understand and satisfied with their work performed and rationale in applying the financial projection to their valuation; and (ii) reviewed various supporting documents, including but not limited to the latest business strategy of the Lattice Power Group, historical financial reports of the Lattice Power Group, executed and signed sales contracts and strategic cooperation agreements, the People's Bank of China's benchmark lending rate, reasons in achieving a decreasing production cost over the next five years, global market reports about the LED market as provided by the Company and written confirmation of governmental subsidies and benefits granted by the PRC government to Lattice Power Group, considered by the Company and Valuer in justifying the abovementioned financial projection.

Besides, pursuant to note 1(d) to Rule 13.80 of the Listing Rules, we have performed the followings steps regarding the appraisal value of Lattice Power prepared by the Valuer:

(1) interviewed the Valuer and were satisfied with their experience and expertise;

(2) confirmed with the Valuer that it has no current or prior relationship with the Lattice Power Group and the Sellers, or their respective core connected persons, other than the engagement of appraisals in relation to the Acquisition;

(3) save for the engagements between the Company and the Valuer in February 2015 and March 2015 in relation to valuation of convertible bonds issued by the Company and the engagement of appraisal in relation to Lattice Power, the Valuer has no current or prior relationship with the Company or their respective core connected persons;

(4) we have reviewed the terms of engagement and the scope of work of the Valuer and considered that the scope of work is appropriate to the opinion required to be given and without any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer's report, opinion or statement;

(5) upon our interview with the Valuer, save and except those disclosed in the Valuation Report, we were not aware that each of the Company and the Lattice Power Group has made any other formal or informal representations to the Valuer, respectively; and

(6) reviewed, and discussed with the Valuer, the underlying assumptions used for the Valuation and the income approach used by the Valuer and are satisfied that the assumptions and income approach are appropriate and objective in such circumstances.

Given the valuation of the equity interest of Lattice Power in the Valuation Report involves the use of discounted cash flows approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Directors have confirmed that they have reviewed and discussed with the Valuer the bases and assumptions upon which the Valuation Report has been made. We understood that the Directors have engaged TC Capital Asia Limited and Deloitte Touche Tohmatsu, the financial adviser and reporting accountants of the Company, respectively, to review its discounted future estimated cash flows. So far as the calculations are concerned, the discounted future estimated cash flows have been properly complied in all material respects, in accordance with the assumptions set out in the Valuation Report. Letters from Deloitte Touche Tohmatsu and TC Capital Asia Limited relating to the Valuation Report are set out as Appendix II and Appendix III to the Circular, respectively.

(b) *Comparable companies analysis*

Under this analysis, we have identified, on best effort basis, an exhaustive list of companies listed on the Stock Exchange for comparison based on criterion that more than 80% of their respective revenue has to be generated from business operation related to lighting business which involves the application of LED technology during their respective latest financial year. We consider companies being selected under the adopted criterion are able to provide a meaningful comparison as the majority of their respective revenue is generated from LED business.

We have considered whether to conduct a price-to-earnings analysis of the Acquisition. However, given that the Lattice Power Group was loss making for the year ended 31 December 2014, we consider the analysis of price-to-earnings ratio is not meaningful. As such, we consider a comparison on price-to-book ratio is more appropriate. Details of the result are summarised in the following table:

	Company	Stock code	Market Capitalisation as at the Latest Practicable Date *(HK$' million)*	Respective approximate percentage of total revenue that was generated from business operation related to lighting business which involves the application of LED technology as disclosed in respective latest published financial statement before the Latest Practicable Date	Respective latest net assets value (excluding non-controlling interest) as disclosed in respective latest published financial statement before the Latest Practicable Date *(HK$' million)*	price-to-book ratio
1	Wai Chi Holdings Co. Ltd.	1305	374.0	100.0%	652.2	0.57
2	Neo-Neon Holdings Limited	1868	1,551.5	82.8%	1,367.6	1.13
3	NVC Lighting Holdings Limited	2222	5,537.4*(note)*	93.2%	3,916.7	1.41
4	Tech Pro Technology Development Limited	3823	11,189.8	100%	1,042.1	10.74
5	Landing International Development Limited	582	7,506.5	90.4%	3,911.1	1.92

Note: Trading in the shares of NVC Lighting Holdings Limited has been suspended since 11 August 2014

mean	3.16
median	1.41
maximum	10.74
minimum	0.57

Excluding Tech Pro Technology Development Limited from the analysis

mean	1.26
median	1.27
maximum	1.92
minimum	0.57

	Fair market value of 100% equity interest in the business enterprise of the Lattice Power as at 31 March 2015 *(HK$' million)*	Net assets value of the Lattice Power Group as at 31 March 2015 *(HK$' million)*	price-to-book ratio
The Acquisition	4,066.7	826.8	4.92

Source: http://www.hkex.com.hk

As shown in the above table, the price-to-book ratios of the above selected listed companies ranged from approximately 0.57 to 10.74 times, with a mean of approximately 3.16 times and a median of 1.41 times. Among the above selected listed companies, we are aware that the price-to-book ratio of Tech Pro Technology Development Limited (stock code: 3823.HK) ("Tech Pro") is much higher than the price-to-book ratios of other selected listed companies. In order to present a fair analysis, we are of the view that the price-to-book ratio of Tech Pro is rather an outliner and decide to take it out from our price-to-book analysis. As a result, if Tech Pro is removed, the price-to-book ratios of the remaining selected listed companies (the "PB analysis without Tech Pro") vary from 0.57 to 1.92 times, with a mean of approximately 1.26 times and a median of 1.27 times.

We noted that the implied price-to-book ratio for the Acquisition, calculated as fair market value of 100% equity interest in the business enterprise of the Lattice Power as at 31 March 2015 divided by net assets value as at 31 March 2015 of Lattice Power Group, is 4.92 times, which is approximately 3.90 times of the mean, and out of the range, of the PB analysis without Tech Pro. Nonetheless, given that i) by acquiring the majority interest of Lattice Power, the Group instantly unlocks the door that leads to the latest technical development in LED technology without the hassle of trial and error; ii) the Company will acquire more than 200 patents related to LED technology under the Acquisition; iii) having considered the price-to-book ratio of the Acquisition is not within the range of the PB analysis without Tech Pro and approximately 3.90 times of the mean of the PB analysis without Tech Pro, the valuation of Lattice Power is supported by the financial projection as set out in the valuation model prepared by the Valuer; iv) the price-to-book ratio analysis does not reflect the future earning power of a company and the Directors consider that Lattice Power Group would generate a profit for the Group in the foreseeable future; and v) other reasons and benefits for entering into the Acquisition as discussed in the above, we consider the Consideration for the Acquisition is acceptable.

Having considered (i) the Consideration was determined by reference to the Valuation Report prepared by the Valuer and represented a slight discount to the fair market value of a 59% equity interest in the business enterprise of the Lattice Power as at 31 March 2015 as valued by the Valuer; (ii) we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation Report; and (iii) conclusion of comparable companies analysis as mentioned in the above, we concur with the Directors that the Consideration is fair and reasonable and in the interests of the Shareholders as a whole.

(iii) ***Evaluation of the Issue Price***

As stated in the Letter from the Board, the Consideration shall be satisfied in full by the Company allotting and issuing the Consideration Shares to the Sellers at HK$5.20 per Consideration Share, in proportion to the number of Sale Shares sold by each of the Sellers. The Issue Price represents:

(a) a premium of approximately 4.42% over the closing price of HK$4.98 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 2.56% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK$5.07 per Share;

(c) a premium of approximately 2.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK$5.08 per Share;

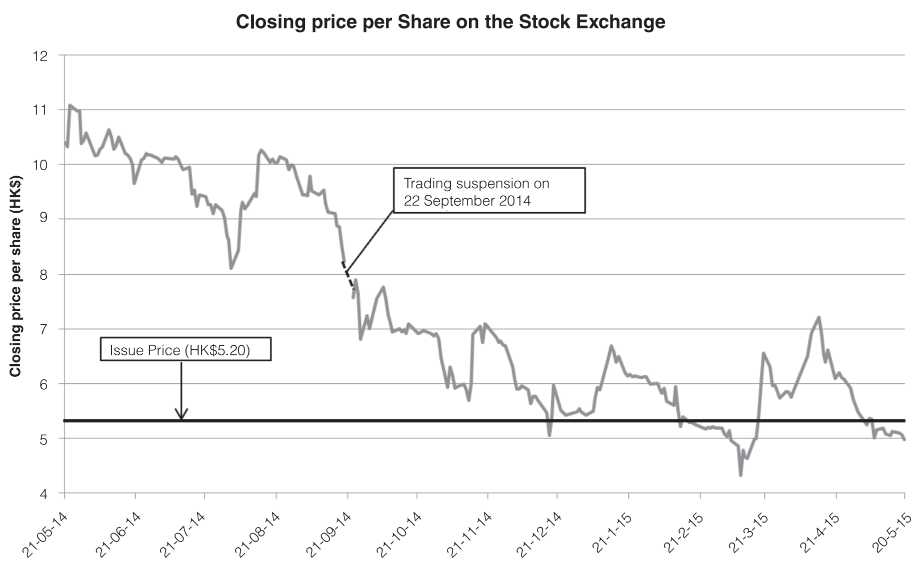
(d) a premium of approximately 106.35% over the net asset value per Share of approximately HK$2.52 as at 31 December 2014 (based on the latest audited net assets of the Group as of 31 December 2014 published on the Stock Exchange's website and the number of issued Shares as at the Latest Practicable Date); and

(e) a premium of 160.00% over the closing price of HK$2.00 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Issue Price, we set out below analyses:

(a) *Issue Price as compared to the historical trading price of the Shares*

We consider that a 12-month review period to be a reasonable period of time within which the historical trend of closing price of the Shares can be illustrated and is in line with normal market practice. Set out below is the chart showing the closing prices of the Shares on the Stock Exchange for the 12 months period ended 20 May 2015 (the "**Review Period**"), being the Last Trading Day, versus the Issue Price.



Source: http://www.hkex.com.hk

During the Review Period, the closing price of the Shares ranged from the lowest of HK$4.32 on 10 March 2015 to the highest of HK$11.98 on 12 May 2014, with a mean of approximately HK$7.50. The Issue Price is within the aforementioned range, which represents a premium of approximately 20.37% over such lowest closing price of the Shares, a discount of approximately 56.59% to the highest closing price of the Shares and a discount of approximately 30.67% to the average closing price of the Shares of HK$7.50 during the Review Period.

It is noted that the Issue Price represented a discount of approximately 30.67% to the average closing price of the Shares during the Review Period. However, taking into consideration factors including i) the Issue Price represented a slight premium of approximately 2.36% to 4.42% over the closing price per Share on the Last Trading Day, the average closing prices of the Shares for last five trading days up to and including the Last Trading Day and last ten trading days up to and including the Last Trading Day, respectively; ii) the Issue Price is within the range of the closing price of the Shares during the Review Period; iii) there is a steady decline in the closing price of the Shares during the Review Period; and iv) the basis in determining the Consideration, we are of the opinion that the Conversion Price is justifiable, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(b) *Comparable transaction analysis*

In assessing the fairness and reasonableness of the Issue Price, we have also identified, after taken reasonable efforts, an exhaustive list of companies listed on the Stock Exchange which had announced the proposed issue of ordinary shares to its respective connected person as consideration for a transaction (the "**Comparable Transaction(s)**") during the three months prior to and including the date of the Share Purchase Agreement. i.e. from 21 February 2015 to 20 May 2015 (the "**Comparable Period**"). We have identified, during the Comparable Period, eight listed companies (the "**Comparables**") had proposed the Comparable Transactions, which represent a fair and representative sample population for the present comparison purpose. We considered that the terms of the Comparable Transactions are determined under similar market conditions and sentiments as the Share Purchase Agreement and we believe the Comparable Transactions may reflect the recent trend of the connected transaction which involved issue of ordinary shares as consideration in the market. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the businesses, operations and prospects of the Comparables. Details of the Comparable Transactions are summarised in the following table:

Date of announcement	Company	Stock code	Issue price *(HK$)*	Premium/(Discount) of the issue price over/to the closing price of the last trading day immediately prior to the respective date of agreement	Premium/(Discount) of the issue price over/to the average closing price of the last five trading days prior to the respective date of agreement
30/4/2015	Chinese Food and Beverage Group Limited	8272	0.29	(43.14)%	(42.91)%
28/4/2015	Tongda Group Holdings Limited	698	1.288	(5.29)%	0.00%
21/4/2015	Yuan Heng Gas Holdings Limited	332	0.6	0.00%	(1.67)%
15/4/2015	Alibaba Health Information Technology Limited	241	5.28	(22.10)%	(13.30)%
1/4/2015	China Precious Metal Resources Holdings Co., Ltd	1194	0.76	26.67%	24.18%
25/3/2015	Highlight China IoT International Limited	1682	2.87	(30.17)%	(15.84)%
6/3/2015	Pegasus Entertainment Holdings Limited	1326	1.26	(3.80)%	(6.70)%
27/2/2015	China Fire Safety Enterprise Group Limited	445	0.4	(40.30)%	(39.39)%
			Maximum Premium	26.67%	24.18%
			Maximum discount	(43.14)%	(42.91)%
			Mean	(14.77)%	(11.95)%
	The Acquisition		**5.20**	**4.42%**	**2.56%**

Source: http://www.hkex.com.hk

As shown in the above table, the issue prices of the Comparable Transactions represented (i) a premium to their respective closing price per share on the last trading day within a range from approximately 26.67% premium to a maximum discount of approximately 43.14% (the "**LTD Range**"), with an average discount of approximately 14.77% (the "**LTD Mean**"); and (ii) from approximately 24.18% premium to a discount of approximately 42.91% to the respective closing price of their shares on the average closing price for the last five trading days prior to and including the Last Trading Day (the "**5-Day Market Range**") with an average discount of approximately 11.95%.

We noted that the Issue Price represented a premium of 4.42% and 2.56% to the closing price per Share on the Last Trading Day and average closing price for the last five trading days prior to and including the Last Trading Day, respectively, which lie within the LTD Range and 5-Day Market Range. Taken into consideration that as the Issue Price is at premium to the closing price of the Shares on the Last Trading Day, the Company is able to issue less Shares in order to satisfy the Consideration, thus, it will lead to less severe dilution effect to all Shareholders.

In light of (i) the Issue Price falls within the range of closing prices of the Shares during the Review Period; (ii) it is more favourable to the Shareholders and the Company as a whole in issuing the Consideration Shares at premium over, instead of discount to, the recent closing prices of the Shares as quoted on the Stock Exchange; and (iii) Issue Price represented a premium over the closing price of the Shares on the Last Trading Day, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

(iv) ***Evaluation of other terms of the Share Purchase Agreement***

Upon our review of the Share Purchase Agreement, we noted that i) the Company is not obliged to complete any of the Share Purchase Agreement, the ESOP Purchase Agreement or the Series E Warrant Subscription Agreement if such agreements are not completed simultaneously; and ii) each of the Transaction Documents in the agreed form to the satisfaction of the Company is one of the condition precedents of the Share Purchase Agreement.

Upon our review of the Share Purchase Agreement, the ESOP Purchase Agreement, the Series E Warrant Subscription Agreement and the Transaction Documents (in respect of the Share Purchase Agreement), we are not aware of any term in such agreements that is unfavourable to the Group for entering into such agreements.

As discussed with the Company, save and except for condition 11 under the Share Purchase Agreement, all the other conditions are waivable. The Company is not aware that any of the conditions is, at present, incapable of being fulfilled. The Company expects that the Shareholder Sellers shall use their best endeavour to procure the fulfillment of conditions and it does not, at present, have any plans to waive any of them.

Having taken into account of the all of the factors presented above, we consider that the Acquisition is on normal commercial terms and the terms of the Share Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Company confirms that condition 25 as set out in the subsection headed "(A) Share Purchase Agreement — Conditions Precedent" in the Letter from the Board will not be waivable and it will not proceed to closing of the Share Purchase Agreement if such condition is not satisfied.

As at the Latest Practicable Date, the Company has been informed that trust arrangements referred to condition 25 as set out in the subsection headed "(A) Share Purchase Agreement — Conditions Precedent" in the Letter from the Board have been removed.

As at the Latest Practicable Date, the ESOP Purchase Agreement and the Series E Warrant Subscription Agreement referred to in respective conditions 20 and 22 as set out in the subsection headed "(A) Share Purchase Agreement — Conditions Precedent" in the Letter from the Board have been signed and conditions 12 and 25 as set out in the subsection headed "(A) Share Purchase Agreement — Conditions Precedent" in the Letter from the Board have been satisfied.

Further details on the status of conditions precedent under Share Purchase Agreement are disclosed in the subsection headed "(A) Share Purchase Agreement — Further Explanation of Conditions Precedent and their Status" in the Letter from the Board.

(3) The Series E Warrants and the Call Option

As set out in the Letter from the Board, in order to ensure that the Company can maintain a majority shareholding in Lattice Power upon full conversion of all outstanding Options and Existing Warrants of Lattice Power, the Company entered into the Series E Warrant Subscription Agreement pursuant to which Lattice Power agreed to issue, and the Company agreed to subscribe for the Series E Warrants convertible into 84,149,220 Series E Warrant Conversion Shares (i.e. the Subscription Shares) at a nominal consideration of US$0.001, exercisable at the discretion of the Company. Certain Shareholder Sellers have also each entered into the Series E Warrant Subscription Agreement with Lattice Power to subscribe for Series E Warrants convertible into an aggregate of 21,980,142 Series E Warrant Conversion Shares.

Furthermore, each of the Existing Warrantholders (who are also Shareholder Sellers pursuant to the Acquisition) have also entered into the Call Option Agreements on 20 May 2015, pursuant to which such Existing Warrantholder granted a call option in favour of the Company all or any part of its Warrant Conversion Shares to be issued upon conversion of the Existing Warrants, and provided an undertaking to restrict the timing to exercise the Existing Warrants.

Under the Series E Warrant Subscription Agreement and Call Option Agreements, the Series E Warrants shall be exercisable, in whole or in part, during the term commencing on the date of issue of the Series E Warrants and ending on the fifth (5th) anniversary of the date of the Series E Warrants. The Company shall have the option, at its sole discretion, to acquire all or any part of the Warrant Conversion Shares to be issued upon conversion of the Existing Warrants from each of the Existing Warrantholders on a date any time during the twenty-one (21) days from the receipt of the Grantor Notice by the Company designated at a per share price equal to the Sale Share Price.

For the principal terms of the Series E Warrant Subscription Agreement and Call Option Agreements, please refer to the sections headed "(C) SERIES E WARRANT SUBSCRIPTION AGREEMENT" and "(D) THE CALL OPTION AGREEMENTS" in the Letter from the Board.

The consideration for the exercise of the Series E Warrants and Call Option by the Company will be HK$3,497,174,264 and HK$2,446,553,075, respectively.

In assessing the fairness and reasonableness of the Series E Warrants and Call Option, we have taken into consideration of the below discussion.

According to the AR2014, we noted that the bank balances and cash of the Group was approximated RMB920,655,000 as at 31 December 2014. As informed by the Company, the Company will consider various fund raising exercises to satisfy the aforementioned consideration should the Company decide to exercise the Series E Warrants and/or Call Option. We are aware of the possibility of dilution effect to the shareholding of the Company induces by equity fund raising method. Nonetheless, the Company has to comply with the applicable Listing Rules requirements upon exercise of the Series E Warrants and/or Call Option, including but not limited to seek Independent Shareholders' approval if necessary.

Assuming the Company fully exercises its right under the Series E Warrants regardless of the shareholdings structure of Lattice Power, the Company is going to pay additional approximately HK$ 3.50 billion to Lattice Power (the "**Additional Consideration**"). Thus, the total consideration that the Company will incur in acquiring Lattice Power will become approximately HK$5.54 billion. Although the Company may incur the Additional Consideration upon the exercise of Series E Warrants, given that i) the Additional Consideration is to be paid into Lattice Power as funds for the business of Lattice Power Group; ii) upon completion of the Transaction, Lattice Power will become a non wholly-owned subsidiary of the Company and the financial results of Lattice Power will consolidate into the Group; iii) the Additional Consideration will be paid towards the equity account of Lattice Power which will have the effect of increasing the net asset value of Lattice Power; and iv) on the basis that the Company continues to have majority shareholding in Lattice Power, it is expected the Company is able to have full control over the use of such funds. We do not expect that the Additional Consideration will lead to an adverse financial effect to the Company. As such, we consider the Consideration is fair and reasonable after taking into account the possible financial effect upon the exercise of Series E Warrants by the Company.

In addition, according to the information provided by the Company, the Existing Warrants have a shorter exercisable period than the Series E Warrants, while the exercisable period of the Series E Warrants held by the Company pursuant to the Series E Warrant Subscription Agreement is same as the exercisable period of the Series E Warrants held by other subscribers. The Series E Warrants and Call Option do not create a compulsory obligation to acquire all or any part of the Lattice Power Shares or Warrant Conversion Shares. As informed by the Company and as at the Latest Practicable Date, the Company had no intention to exercise the Series E Warrants. Nevertheless, the Series E Warrants and the Call Option enable the Company to monitor the possible dilution in Lattice Power when the Existing Warrants and the Series E Warrants are exercised by other subscribers and maintain its control through the exercise of its Series E Warrants and/or Call Option.

As provided by the Company, the original exercise price of the Existing Warrants ranged from approximately HK$7.80 to HK27.30, representing a discount of approximately 34.31% to 81.23% to the Sale Share Price. If the Company exercises its rights under the Call Option at its discretion, the difference between the original exercise price of the Existing Warrants and the Sale Share Price may allow the Existing Warrantholders to record an instant profit by selling their Warrant Conversion Shares to the Company. However, we are of the opinion the arrangement of Call Option is acceptable due to the fact that i) the exercise price of the Existing Warrants is to be paid by the Existing Warrantholders into Lattice Power, which will be consolidated into the consolidated statement of financial position of the Company; ii) some of the Existing Warrants, those with an exercise price of approximately HK$7.80 in particular, were entered into at the early development stages of Lattice Power, which Lattice Power has not realised any profit from its production and operation in the financial years ended 31 December 2013 and 2014; iii) the latest breakthrough in GaN-on-Silicon LED technology achieved by Lattice Power together with over 200 patents in LED technology owned by Lattice Power denote a potential future profit generating source; iv) as represented by the Company, the Company considers it is fair and reasonable to provide a premium over the exercise price of Existing Warrants as incentive in exchange of the Existing Warrantholders giving up their entitlement to the potential future earning power of Lattice Power; v) the Call Option may not be exercisable at all and the Company has full discretion in exercising the Call Option; and vi) the Company will be required to comply with the Listing Rules requirements upon exercise of the Call Option.

Taking into consideration i) the rights under the Series E Warrants and Call Option act as a shield to maintain a majority control in Lattice Power by the Company; ii) the necessity to maintain a majority interest in Lattice Power in order to access the research and development resources of Lattice Power and consolidate its financial results into the Group in the foreseeable future; iii) the Company will comply with the applicable Listing Rules requirements upon exercise of the Series E Warrants and/or Call Option, including but not limited to seek Independent Shareholders' approval if necessary; iv) on the basis that the Company continues to have majority shareholding in Lattice Power immediately after the exercise of Series E Warrants by the Company, the Additional Consideration to be paid upon the exercise of Series E Warrants by the Company will lead to an effect of transferring the Additional Consideration from the listed company level to a non-wholly owned subsidiary level since the financial accounts of Lattice Power will be consolidated into the financial accounts of the Company; v) the Company has the sole discretion, but not an obligation, in exercising the Series E Warrants and/or Call Option, and vi) our analysis on the difference between the original exercise price of the Existing Warrants and the Sales Share Price as set out in the above paragraph, the entering into of the Series E Warrants and Call Option outweigh the fact that the Company may pay more than the Consideration in acquiring the majority interest of Lattice Power in the end and are fair and reasonable, justifiable and in the interest of the Shareholders.

(4) Potential dilution effect of the Acquisition

As at the Latest Practicable Date, the Company has 3,082,200,101 Shares in issue. The Consideration Shares to be issued to the Sellers in consideration of the Acquisition comprise of 392,307,045 new Shares, which represent approximately 12.73% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 11.29% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares upon Completion.

For illustrative purpose only, the table below demonstrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion and allotment and issuance of the Consideration Shares, assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date:

	As at the Latest Practicable Date		**Immediately after Completion and allotment and issuance of the Consideration Shares**	
	No. of Shares	*Approximate Percentage (%)*	*No. of Shares*	*Approximate Percentage (%)*
Cheng King Ming and his controlled entities (including Peace Link Services Limited and AP Resources) *(Note 1)*	641,653,933	20.82	717,211,124	20.64
Tang Guoqiang *(Note 2)*	268,223,960	8.70	287,118,898	8.26
Zhang Yi *(Note 3)*	512,000	0.02	512,000	0.01
Sub-total	910,389,893	29.54	1,004,842,022	28.91
Other public shareholders	2,171,810,208	70.46	2,469,665,124 *(Note 4)*	71.09
Total issued Shares	3,082,200,101	100.00	3,474,507,146	100.00

Notes:

1 Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited which in turn is the beneficial owner of 100% shareholding in AP Resources, which in turn is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Mr. Cheng Kin Ming indirectly holds 638,201,933 Shares owned by Peace Link Services Limited. Mr. Cheng Kin Ming is also the beneficial owner of 3,452,000 Shares. Upon Completion, 75,557,191 new Shares will be issued to AP Resources (or as it may direct) as consideration pursuant to the Share Purchase Agreement.

2 Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and therefore, Mr. Tang Guoqiang is deemed to be interested in 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO. Mr. Tang Guoqiang is one of the Sellers who will receive 18,894,938 new Shares as consideration pursuant to the Acquisition.

3 Mr. Zhang Yi is a Director of the Company. He is also the beneficial owner of 512,000 Shares of the Company.

4 Including a total of 22,038,922 new Shares to be issued to Mr. Wang Min and Mr. Sonny Wu, current directors of Lattice Power, upon the ESOP Completion pursuant to the ESOP Purchase Agreement. As Lattice Power will become a non wholly-owned subsidiary of the Company upon ESOP Completion (which shall occur simultaneously with Completion), such person may become a connected person of the Company upon ESOP Completion pursuant to Rule 14A.07(1) of the Listing Rules subject to any change to management which may be agreed prior to ESOP Completion.

As set out in the Letter from the Board, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than AP Resources, each of the Mr. Wang Min, the Shareholder Sellers, the ESOP Sellers and their ultimate beneficial owners is an Independent Third Parties.

As at the Latest Practicable Date, AP Resources is indirectly wholly and beneficially owned by Mr. Cheng Kin Ming, a substantial Shareholder and thus a connected person of the Company. A total of 75,557,191 new Shares will be issued to AP Resources upon Completion, representing approximately 19.26% of the Consideration Shares, thus, the remaining 316,749,854 new Shares will be allotted and issued to Independent Third Parties as consideration pursuant to the Share Purchase Agreement upon Completion.

As demonstrated by the above table, the shareholding interests of the public Shareholders (including the shareholding interests of Mr. Tang Guoqiang) will be increased from approximately 79.16% to 79.35% immediately after the Completion as a result of the issuance of the Consideration Shares, representing an absolute increase of approximately 0.19%.

It is a fact that the shareholding interest of those existing Shareholders as recorded on the Latest Practicable Date may be diluted after the issuance of the Consideration Shares, however, taking into account (i) the reasons for and benefits of the Acquisition as mentioned above; (ii) there will be an increase in the overall shareholding interests of the public Shareholders after Completion; and (iii) the Issue Price is at a premium over the closing price on the Last Trading Day instead of a discount, we are of the view that the level of dilution to the shareholding interests of the existing public Shareholders as recorded on the Latest Practicable Date as a result of the issue of the Consideration Shares is acceptable.

(5) Financial effect of the Acquisition on the Group

Upon Completion, Lattice Power will become a non wholly-owned subsidiary of the Group. Therefore, financial results of the Lattice Power Group will be consolidated into the financial statements of the Group.

(i) *Earnings*

Upon Completion, the Lattice Power will become a non wholly-owned subsidiary of the Company. The future earnings of the Group will be affected by profitability of the Lattice Power Group. Taking into consideration the expected positive future business prospect of the

Lattice Power Group as mentioned in the reasons and benefits for entering into the Acquisition as discussed in the above, the Acquisition would likely to have a positive impact on the future earnings potential of the Group.

(ii) *Net asset value*

According to AR 2014, the audited net asset value of the Group as at 31 December 2014 was approximately RMB6,127.0 million. As set out in the above, the Lattice Power Group recorded audited net assets value of approximately US$97.0 million as at 31 December 2014. Upon Completion, financial results of the Lattice Power Group will be consolidated into the Group's financial statements. In addition, with the issue of the Consideration Shares, total equity of the Company will also be increased. As such, the Acquisition will improve the net asset value of the Group.

(iii) *Gearing*

As discussed with the management of the Company, the gearing ratio of the Group was computed by net debt divided by the sum of net debt and equity of the Group. According to AR 2014, the gearing ratio of the Group was approximately 45.9% as at 31 December 2014. Given (i) the Acquisition does not involve any borrowing; and (ii) the increase in net assets due to the fact that the financial results of the Lattice Power Group will be consolidated into the Group's financial statements upon Completion, it is expected that the gearing ratio of the Group will be lowered, which is favourable to the Company.

It should be noted that the above analyses are for illustrative purposes only and does not purport to represent how the actual financial position of the Group will be on the date of Completion.

RECOMMENDATION

By taking into account the factors and reasons as mentioned above, we are of the view that the Transaction is on normal commercial terms and is fair and reasonable and the entering into the Agreements and the transactions contemplated thereunder (insofar they relate to AP Resources) are in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolutions to approve the Transaction, the Agreements and the transactions contemplated thereunder at the upcoming EGM.

Yours faithfully,
For and on behalf of
FORTUNE FINANCIAL CAPITAL LIMITED
Stanley Chung
Managing Director

Mr. Stanley Chung is a responsible officer under the SFO to engage in type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance.

GRANT SHERMAN

Unit 1005, 10/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

13 July 2015

Shunfeng International Clean Energy Limited
Portion A, 10/F, World Wide House
No. 19 Des Voeux Road Central
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of a 59% equity interest in the business enterprise of Lattice Power Corporation ("Lattice", and together with its subsidiaries, variable interest entities ("VIEs") and VIEs' subsidiary as the "LP Group"). The LP Group is principally engaged in research and production of light-emitting diode ("LED") chips that apply to general lighting, display, liquid crystal display ("LCD") backlight and industrial fields. Shunfeng International Clean Energy Limited is considering to acquire the 59% equity interest from certain existing shareholders of Lattice (the "Vendors").

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt. Fair market value means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. The fair market value of the equity interest in the LP Group is derived by the application of the income approach after accounting for the effect of a discount to adjust for lack of marketability of its shares.

The purpose of this appraisal is to express an independent opinion on the fair market value of a 59% equity interest in Lattice as at 31 March 2015 (the "Appraisal Date"). It is our understanding that this appraisal will be used by the Company for acquisition purposes and our report might be used in connection with a public document. This report also supplements our earlier valuation report dated 20 May 2015 with additional information.

INTRODUCTION

The Company

The Company (together with its subsidiaries as the "Group") is an investment holding company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1165). The Group is an integrated one-stop solar enterprise which manufactures and sells solar wafers, solar cells, solar modules and related products as well as developing and operating solar power stations.

The LP Group

Lattice, a company incorporated in the Cayman Islands, is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. As a technology leader in GaN-on-Silicon LED technology, the LP Group is the first company in the world to start the mass production of GaN-on-Silicon high power thin film vertical LED chips with industry-leading performance. The LP Group also owns significant patents and intellectual property on the GaN-on-Silicon LED technology and is developing production on even larger wafer sizes (150-200mm diameter) and integrated wafer-level packaging for driving down costs and increasing lumens/dollar. The headquartered of the LP Group is located at Nanchang, Jiangxi Province, the People's Republic of China (the "PRC").

The business strategies of the LP Group are to focus on higher margin leading edge chip products (VTF, FC and HV-TS), take advantage of lower cost structure of GaN-on-Silicon technology by migrate 6 inch and to implement vertical integration with chip and packaging to offer superior products and extend to LED modules.

Started in 2013, the LP Group started to put together all the pieces to become a vertically integrated LED company that combines LED chips, packaging, lighting modules and lighting applications to offer its customer's a total solution for their lighting needs. With this approach the LP Group has steadily expanded its product portfolio in 2014 that enabled revenue and profit to grow at a higher rate than the industry.

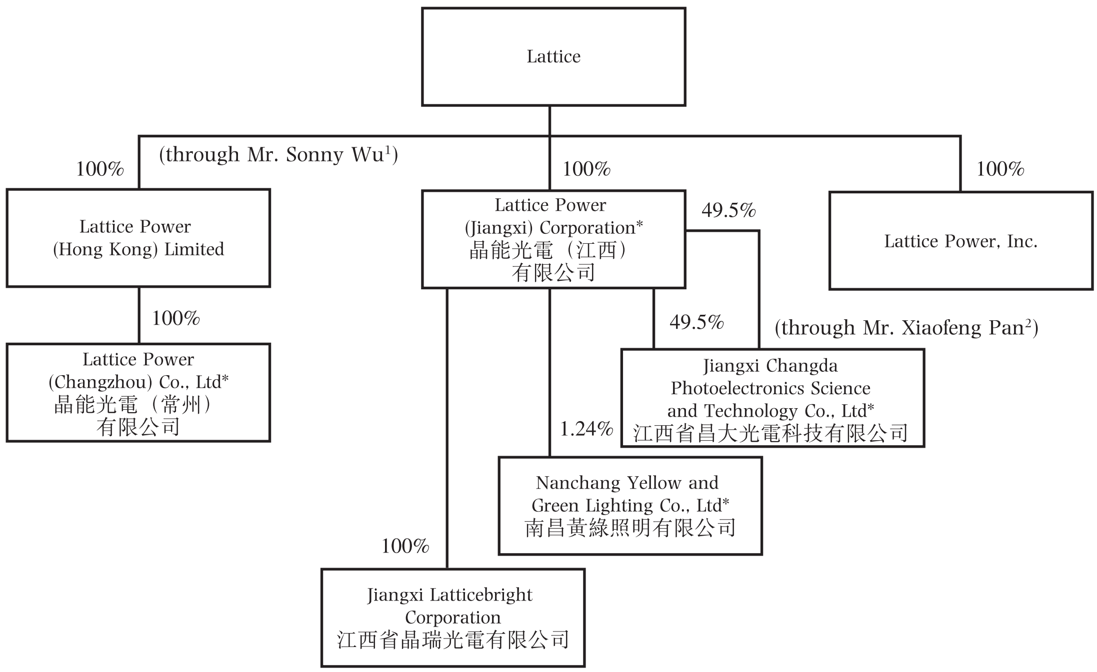
The historical financial information of the LP Group (in US$'000) and its group structure as at the Appraisal Date are presented as follows:

Financial information of the LP Group

	For the year ended 31 December 2013 (audited)	**For the year ended 31 December 2014** (audited)	**For the three months ended 31 March 2015** (unaudited)
Turnover	34,868	59,361	10,149
(Loss) income from operations	(10,915)	2,855	(1,444)
Loss before taxation *(Note)*	(13,686)	(27,995)	(3,705)
Net loss for the year	(12,691)	(29,359)	(3,705)
Total debts	49,264	37,321	53,859
Net assets value	72,659	96,957	106,628

Note: Despite the increase in turnover of approximately 70% in 2014, loss before taxation increased by 105% in 2014 due to the recognition of non-recurring expenses, such as the changes in fair value of warrants and interest expense on convertible bond amounted to approximately US$30.86 million during the year ended 31 December 2014.

Group Structure of the LP Group as at the Appraisal Date:



* *For identification purposes only*

1. Mr. Sonny Wu, a director of Lattice, holds all of the shares of Lattice Power (Hong Kong) Limited on trust solely for the benefit of Lattice.

2. Mr. Xiaofeng Pan holds 49.5% of Changda on trust for Lattice Power (Jiangxi) Corporation.

Entity	Principal Activities
Lattice	Investment holding company
Lattice Power (Jiangxi) Corporation	Research and development and production of GaN-on-Silicon Substrate LEDs epitaxial wafers and chips
Jiangxi Changda Photoelectrics Science and Technology Co., Ltd. (“Changda”)	Research production technology of semiconductor optical materials and development of special technological equipment
Jiangxi Latticebright Corporation	Packaging of the Silicon Substrate LEDs chips
Lattice Power, Inc.	Sales, research and development activities in the United States
Lattice Power (Hong Kong) Limited	Intermediate holding company

Entity	Principal Activities
Lattice Power (Changzhou) Co., Ltd.	Research and development, production and sale of LEDs epitaxial wafers and chips
Nanchang Yellow and Green Lighting Co., Ltd	Research and development

According to the LP Group's business plan, the LP Group targets to migrate to 6 inch wafer manufacturing in 2015-2016 to reduce production costs through increasing the rate of automation in the production process, enhancing the efficiency of chips production and further achieving economies of scale. On the other hand, the LP Group will continue capacity expansion and market share gain. The LP Group will continue to expand in ceramic packaging, new on-wafer integrated chip and packaged products, promote automation for light bulb modules for the lowest cost and expand into the light engine module market, as well as leverage silicon technology for high-end lighting products and/or applications. The LP Group will supply more products targeting the mobile devices, automobile, general lighting markets. In 2015, the LP Group will introduce automotive LED products and LED headlight products; complete the flash module development work and development of key solar street light products; and develop 4K TV backlight modules, car headlight modules, and multi-color LED arrays. In 2016, the LP Group will introduce LED headlight products. By 2016, with its continuous sales and marketing effort, the LP Group anticipates to achieve the highest market share position among Chinese flash vendors, become the top five chips-on-board companies in the PRC, and maintain its flipchip leadership position and its top three high-voltage market share in the PRC. By 2017, the LP Group aims to achieve market leadership position for its module business in the PRC.

As at the Appraisal Date, Lattice had certain warrants (the "Existing Warrants") convertible into preferred shares of Lattice outstanding. As part of the proposed acquisition of the LP Group by the Company, Lattice would agree to issue, and the Company agreed to subscribe for a new issue of warrants (the "Series E Warrants") convertible into 84,149,220 common shares of Lattice at a nominal consideration of US$0.001. Certain Vendors have also each entered into the subscription agreement of the Series E Warrants with Lattice to subscribe for the Series E Warrants convertible into an aggregate of 21,980,142 common shares of Lattice.

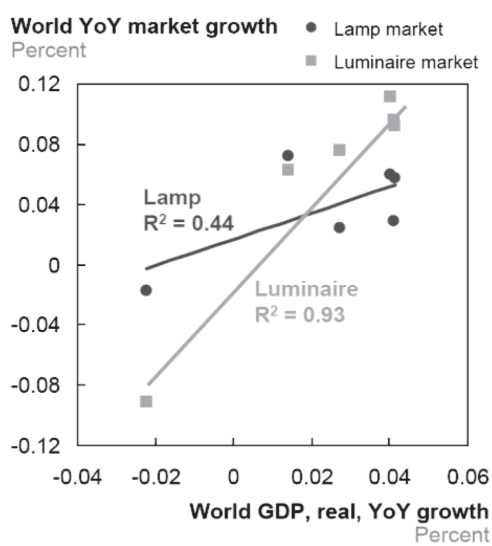
No adjustment has been made to this valuation to reflect i) the potential increase in the overall business enterprise value of Lattice by the amount of cash injected by the holders of the Existing Warrants and the holders of the Series E Warrants; and ii) the potential dilution impact on the Company's shareholding in Lattice upon exercise of the Existing Warrants and the Series E Warrants. Cash inflows from exercise of the Existing Warrants and the Series E Warrants are considered as financing activities, instead of operating cash flows. In addition, the valuation opinion is calculated based on the relative shareholding in Lattice (i.e. 59% of the entire equity value of Lattice at all-times instead of the per unit value of Lattice's ordinary shares). Furthermore, the exercise of the Existing Warrants and the Series E Warrants are contingent and at the discretion of the holders of the Existing Warrants and the holders of the Series E Warrants (including the Company). Riding on the above considerations, we consider that it is fair and reasonable not to assume any exercise of these Warrants in the valuation.

INDUSTRY OVERVIEW

Global Lighting Market

Lighting is an essential consumable to support human beings' daily activities. According to the European Commission, lighting represents 19% of global electricity use. In 2012, McKinsey & Company stated in its report "Lighting the Way: Perspectives on the global lighting market" that there had been a positive correlation between global lamp and luminaire market and the world's economy. In its January 2015 World Economic Outlook Update, IMF forecasted that the world's GDP would grow by 3.5% in 2015 and 3.7% in 2016. Therefore, a steady expansion of the lamp and luminaire market is expected amid the recovery of global economy.

World Real GDP vs World Global Lamp and Luminaire Markets



Source: McKinsey & Company's Lighting the Way: Perspectives on the global lighting market (2012)

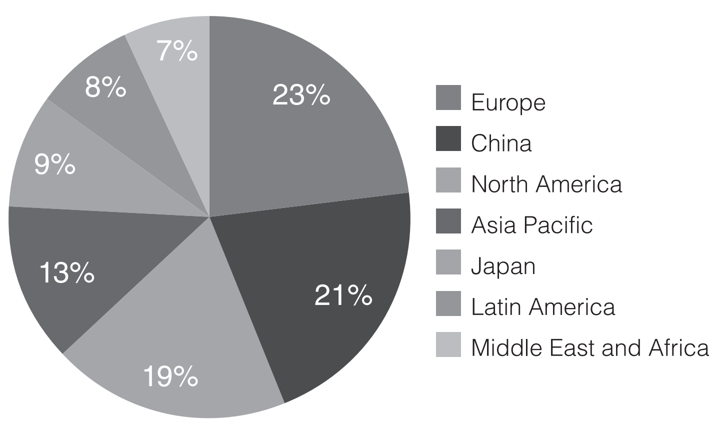
LED Market

LED is a type of solid state lighting ("SSL"). Unlike traditional lighting sources such as incandescent light bulb or fluorescent lamp, LED converts energy directly to light, and is widely regarded as a revolutionary technology in the lighting market owing to its high efficiency. LED lighting saves 50%–80% energy in comparison to the ordinary lighting, According to the U.S. Department of Energy, switching to LED lighting over the next two decades could save the country US$250 billion in energy costs over that period, reduce the electricity consumption for lighting by nearly one half, and avoid 1,800 million metric tons of carbon emission.

Despite its potential in energy and cost saving, LED's penetration in the lighting market is still low. A study conducted by the European Commission in 2014 (the "EU Study") showed that LED's share in the global lamp market was below 15% in 2013. LED's penetration is expected to increase given the growing prevalence and improving cost-effectiveness of the technology and governments' favorable policies. According to the EU Study, LED's share in the global lamp market would further grow and exceed 50% by 2019. Such estimation is close to that made by the National Development and Reform Commission in China (the "NDRC") in 2013, which estimated that LED would account for 50% share of the global lighting market in 2020.

According to LEDinside, a market intelligence provider, global LED lighting market will reach US$25.7 billion in 2015. Europe, China and North America would be the three largest LED lighting markets, comprising 23%, 21% and 19% of the global market respectively. As for industry growth rate, LEDinside estimated in 2015 that the LED market would grow at a CAGR of 18% over the period of 2014 to 2018, while another technology research firm Technavio estimated that the industry would grow at a CAGR of 25.89% from 2014 to 2019.

2015 LED Lighting Market Share by Region



Source: LEDinside

GaN LED

Invented in the 1990s, gallium nitride ("GaN") LED has been a breakthrough in the development of LED applications. By emitting light with spectrum covering blue color, it has made LED devices capable of producing white light by applying techniques such as color mixing and phosphor coating.

Currently, it is common for manufacturers to grow GaN LED on sapphire wafers. On the other hand, the use of silicon wafers is emerging given their lower cost and availability of larger diameters to improve throughput. According to a forecast made by information solution provider IHS in December 2013, it was expected that the penetration of silicon wafers in GaN LED market would increase at a CAGR of 69% over the period of 2013–2020 and reach 40% in 2020.

Improving Cost-Effectiveness

As the LED lighting market continues to expand, LED is also becoming more and more cost effective. According to LEDinside, worldwide average selling prices of 40W equivalent LED bulb and 60W equivalent LED bulb in November 2013 decreased by 18.83% and 21.86% year-on-year respectively. Economies of scale and technological innovation were the reasons behind the lowering price, according to LEDinside. As for energy efficiency, statistics from the U.S. Department of Energy show that average output lumens per watt of LED light bulb sold in the U.S. improved from below 70 in the first quarter of 2012 to over 90 in the fourth quarter of 2014.

Favorable National Policies

According to MarketsandMarkets, lighting consumes around 40% of total energy cost in industrial, commercial and residential applications. Therefore governments, industrialists and stakeholders are trending towards reducing the energy utilization by substituting traditional lighting with advanced energy-efficient lighting devices and technologies.

For instance, the NDRC announced《半導體照明節能產業規劃》(the "Plan") on 30 January 2013. The Plan reinforced LED lighting's position as one of China's strategic emerging industries, and set forth guidelines to encourage the industry's development and technological innovation. According to the Plan, the market share of LED applications in the lighting market in the PRC was targeted to increase from 0.2% in 2010 to 20% in 2015.

In the U.S., The Energy Independence and Security Act of 2007 (the "Energy Bill") was signed by President George W. Bush on 18 December 2007. The Energy Bill set forth energy efficiency standards for light bulbs, which became effective in phases from 1 January 2012 onward. Such standards have effectively phased out inefficient incandescent light bulbs and increased the demand for LED lighting products.

In Europe, the European Commission published a Green Paper in 2011 to explore the barriers for the wide deployment of SSL technology and to put forward policy suggestions. Following the Green Paper, several researches were conducted and regulations were introduced to drive energy efficiency improvement and encourage the application of energy-efficient lighting products.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of the LP Group on the basis of fair market value. *Business enterprise* is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt. *Fair market value* means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

Our investigation included discussions with the management of the LP Group (the "Management") in relation to the LP Group's history, operations and prospects of the business, a review of its historical financial information, the financial projection and the underlying assumptions (collectively the "Projection"), and other records and documents provided to us by the Management. Before arriving at our opinion of value, we have considered the following principal factors:

— The nature of the business of the LP Group from its inception;

— The financial condition of the LP Group;

— The global economic outlook in general and the specific economic and competitive elements affecting the business of the LP Group, its industry and its markets;

— The nature, the regulatory framework and prospect of the general lighting industry;

— The potential of the target markets to be served;

— Past operating results;

— The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of projects;

— The current stage of development of the LP Group;

— The business risks of the LP Group and inherent uncertainties in its operations; and

— The Projection which starts from the Appraisal Date till 31 December 2019 (the "Projection Period") contains the following assumptions:

1. The LP Group will further continue its pursuit of vertical integration and focus on higher margin leading edge chip products. Turnover is projected based on expected sales quantity and unit price of certain major products. Overall increase in turnover will be driven by increase in sales quantity as a result of launching more marketing activities to promote the brand and technology and offering a wider spectrum of products to gain market share;

2. Global market reports about the LED market suggest that the LED industry will continue to grow fast while the market potential for GaN-on-Silicon wafers in GaN LED market is huge. By capturing market share rapidly, the LP Group anticipates the annual growth rates in turnover are over 100% for 2015 and 2016 and over 20% for the remaining 3 years of the Projection Period. In line with the market trend, unit prices of products are expected to decrease by approximately 5%-10% every year during the Projection Period;

3. Based on the LP Group's historical cost analysis, direct costs and staff costs usually account for about 80% and 10% of cost of goods sold respectively and there is no material price fluctuation in recent years. The Management assumes the per unit direct cost will remain flat while the staff costs will grow by 10% per annum due to general inflation and/or increase in headcount;

4. The gross profit and net profit margins are in line with the industry which range from 30% to 38% and 20% to 26% respectively during the Projection Period;

5. In line with the relevant government policy and based on the amount of subsidies received from the government in the previous two financial years, the LP Group estimates that it will receive approximately US$28 million government subsidies income in the next 12 months from the valuation date. Such income is non-recurring in nature and apart from this, no other subsidies income has been assumed in the Projection;

6. Total investment in production machinery and facilities amount to over US$100 million, among which, approximately US$41 million, US$23 million and US$25 million will be spent in 2016, 2017 and 2018 respectively, while its production capacity will double by the end of 2019; and

7. Currently, the LP Group is at the high growth stage. The business of the LP Group will be at the mature stage after 5 years. Thus, the cash flows beyond the Projection Period are assumed to grow at 3% per annum, with reference to the long-term CPI growth rate of a developed country like the U.S.. Such rate is assumed to lie between the long-term inflation rate in the PRC and the long term LED lighting industry growth rate.

A number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. During the course of our appraisal, we conducted the following work to evaluate the LP Group's past performance and assess its ability and capacity to generate future investment returns:

1. a review of the LP Group's historical performance;

— The revenue grew 43% and 70% in 2013 and 2014 respectively, which demonstrated the high growth stage of LP Group.

— The gross margin has greatly improved over the past few years. Gross losses were recorded in 2012 and 2013 while a gross profit margin of 29% was recorded in 2014.

— The production in GaN-on-Silicon wafer was still at the development stage which therefore required significant investment in research and development from 2012 to 2014. Together with non-recurring and non-operation expenses, the LP Group recorded net losses in the past three years. The LP Group recorded loss from operations of US$10.57 million and US$10.92 million in 2012 and 2013 respectively, but there was profit from operations of US$2.86 million in 2014 after the successful commercialized production of GaN-on-Silicon wafer. The LP Group's LED business is a rather capital intensive business, and along with the increase in production scale expected in 2015, it is reasonable to expect that the profitability would greatly improve.

— The LP Group has a history of receiving over US$20 million subsidies from local governments for encouraging the LP Group's research and development activities, operation in LED industry and for subsidizing the equipment purchases for self-manufactured LED chips in the past few years. There is no information that the government will suspend or cut the subsidies that the LP Group would be entitled to. Taking into consideration the existing favorable government policy, the forecast subsidies income is based on supported grounds.

2. a review on global market reports about the LED market. According to these market reports, the global LED lighting market will reach US$25.7 billion in 2015; Europe, China and North America would be the three largest LED lighting markets, comprising 23%, 21% and 19% of the global market respectively; the historical CAGR of general LED industry ranges from 18% to 26%. An industry report stated that the industry would grow by a CAGR of 18% over the period of 2014 to 2018, while another technology research firm, Technavio, estimated that the industry would grow by a CAGR of 26% from 2014 to 2019. According to a forecast made by information solution provider in December 2013, it was expected that the penetration of GaN-on-Silicon wafers in GaN LED market, which the LP Group is specialized in, would increase at a CAGR of 69% over the period of 2013–2020 and reach 40% market share of all GaN LEDs manufactured by 2020. These provide us with relevant information on the market growth, competition, opportunities and challenges existing in the LP Group's business environment which supports the growth assumptions on turnover in the Projection;

3. a comparison of current market data, including but not limited to the product prices of chips and LED light bulbs, inflation rate, economic growth rate, with the assumptions adopted in this valuation is within the range of that of the industry benchmark;

4. an examination of LP Group's relevant internal reports and analysis, such as business plans, sales proposals, revenue and costing analyses and budgets, sales contracts, vendors' quotations, to verify that the assumptions adopted in the Projection, such as revenue, production capacity, costs structure, subsidies income, capital expenditure, are made in light of supported grounds; and

5. an assessment of the Management's business plans with reference to the above.

Given the above independent work we performed, and further considerations about, among others, (i) the background, experience and knowledge of the Management to operate the business; (ii) the large and increasing market demand that the LP Group can capture; (iii) the competitive advantage of the LP Group towards Silicon-based LED products; and (iv) the patents and technology owned by the LP Group, we consider that the assumptions in the Projection are fair and reasonable.

The major assumptions adopted in this appraisal are:

— There will be no major changes in the existing political, legal, fiscal and economic conditions in which the LP Group carries on its business;

— There will be no major changes in the current taxation law in the countries where the LP Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

— There will be no material changes in the industries in which the LP Group involves that would materially affect the revenues, profits, cash flows attributable to the business;

— Exchange rates and interest rates will not differ materially from those presently prevailing;

— The availability of finance will not be a constraint on the forecasted growth of operations of the LP Group;

— The Projection has been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;

— The LP Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;

— The LP Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

— The LP Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its sales;

— The LP Group will be able to secure funds to repay the debts when they fall due;

— The LP Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;

— Industry trends and market conditions for related industries will not deviate materially from economic forecasts;

— All outstanding preferred shares of Lattice have been duly converted to common shares in accordance with the memorandum of association and the articles of association of Lattice on or before the Appraisal Date;

— Lattice holds the entire equity interest in Changda as at the Appraisal Date;

— The exchange rates of US$1 = RMB6.1442 and US$1 = HK$7.7523 are assumed to be the closing prices as at the Appraisal Date.

We were furnished by the Management, for the purpose of this appraisal, with audited/unaudited financial data as well as other records and documents. We have reviewed and examined the financial information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted public sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information. Any variation to the assumptions in the Projection could seriously affect the fair market value of the appraised business enterprise.

VALUATION METHODOLOGY

Selection of Valuation Approach and Methods

To develop our opinion of value for the LP Group, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach. We consider that Cost Approach is not applicable to this appraisal as it cannot reflect the fair market value of the LP Group which is driven by the future revenue generated. For the Market Approach, we consider that it is not reliable and accurate enough to draw a conclusion of the fair market value of the LP Group without adequate historical earnings record. Our analysis of key value drivers, business scale, model, strategies and objectives of the LP Group as well as the future prospects of lighting industry in the PRC shows that the real business perspective has not yet been effectively and efficiently deployed by the LP Group as of the Appraisal Date. Based on the Projections and relevant supporting documents, such as the business expansion plan, potential sales orders and co-operation agreements signed with business partners, provided by the Management, we concluded that the most appropriate method for valuing a company with high-growth prospect and is likely to have material changes in future cash flows resulting from operating, such as the LP Group, is the Income Approach, such that the intrinsic business enterprise value can be estimated based on forecasts of fundamental conditions in the future rather than on current data.

The fair market value of the LP Group is developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of the invested capital of the business. Thus, indication of value is developed by discounting future free cash flows available for distribution to shareholders and for servicing shareholders' loans and long-term debt to their present worth at market-derived rates of return appropriate for the risks and hazards of the subject business.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method in appraising the economic benefits to be attributable to the LP Group. In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

Discount Rate Development

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. In this valuation, the discount rate applied to the cash flow streams attributable to the LP Group is the weighted average cost of capital ("WACC"). WACC comprises of two components: cost of debt and cost of equity. The cost of equity is developed through the application of the Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects. A major requirement in generating the cost of equity is to identify companies that are comparable to the LP Group in terms of business nature and associated risks.

Selection of Comparable Companies

In our valuation model, we have based on the following relevant factors: (1) products, (2) markets, (3) earnings and growth, (4) capital structure, (5) nature of competition and (6) the characteristics of driving underlying investment risk and expected rate of return, to select comparable companies so as to derive the discount rate to reflect the investment risks involved in the future cash flows of the LP Group. We have selected 6 comparable companies (the "Comparable Companies") (as listed below) which are engaged in the similar business as the LP Group:

Comparable Companies	Leveraged Beta*	Market Capitalization*	Principal Activities
Cree, Inc. ("Cree") *(stock ticker: CREE, US)*	1.31	RMB24.6 billion	Cree develops and manufactures LED products, lighting products and semiconductor products for power and radio-frequency applications. Cree produces its products for indoor and outdoor lighting, video displays, transportation, electronic signs and signals, power supplies, inverters and wireless systems.

Comparable Companies	Leveraged Beta*	Market Capitalization*	Principal Activities
Epistar Corporation ("Epistar") *(stock ticker: 2448, Taiwan)*	1.38	RMB11.0 billion	Epistar manufactures and markets LED chips and epitaxial wafers. Epistar's sells its products in Taiwan and exports worldwide.
Shenzhen Mason Technologies Company Limited ("Mason") *(stock code: 002654, PRC)*	1.02	RMB3.4 billion	Mason develops, designs, manufactures and sells medium to high-end LED light source device packaging and LED lighting products. Mason's main products include LED and LED lighting products.
Shenzhen Changfang Light Emitting Diode Lighting Company Limited ("Changfang") *(stock code: 300301, PRC)*	0.94	RMB5.5 billion	Changfang develops, designs, manufactures and sells LED lighting devices and LED lighting products. Changfang's main products include dual in-line package and surface mounted LED lighting devices, and LED lighting application products.
HC SemiTek Corporation ("HC SemiTek") *(stock code: 300323, PRC)*	1.14	RMB6.2 billion	HC SemiTek develops, manufactures and sells LED epitaxial wafers and chips. HC SemiTek 's main products include GaN-based high-brightness blue and green LED chips.
Sanan Optoelectronics Co., Ltd. ("Sanan") *(stock code: 600703, PRC)*	0.65	RMB50.9 billion	Sanan operates in the business of researching, producing and selling of LED epitaxial wafers and wafers.

* *Data was as at the Appraisal date and extracted from Bloomberg*

CAPM

The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as non-systematic. The cost of equity for the LP Group is the sum of the risk-free rate of return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of the LP Group versus those of the comparable companies, which include risk adjustments for size (the "Small Capitalization Risk Premium") and other risk factors in relation to the comparable companies (the "Company Specific Risk Premium"). In developing the discount rate for this valuation, we have adopted the 10-year long-term government bond rate in the PRC as at the Appraisal Date (i.e. 3.63%), in view of the location of the LP Group's principal operations, as the risk-free return and the average equity risk premium of the Comparable Companies (i.e. 11.33%) as that of LP, then added on the Small Capitalization Risk Premium (i.e. 1.80%) and the Company Specific Risk Premium (i.e. 1.00%) , in relation to the size and other risk factors differentials of the LP Group as compared with the Comparable Companies, to arrive at a discount rate of 17.76% for the cost of equity. The cost of debt in this valuation is replicated by the long-term benchmark borrowing rate in the PRC determined by the People's Bank of China as at the Appraisal Date (i.e. 5.90%) plus an upfloat of 20%.

Based on a target debt ratio of 11.00% and an effective tax rate of 18.49%, the WACC of the LP Group is 16.44% as at the Appraisal Date. We conclude such discount rate is fair and reasonable to reflect the investment risk and expected rate of return for the LP Group.

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM. One of the common reference materials widely adopted by valuers is the valuation handbook published by Duff&Phelps, LLC. namely "The 2015 Valuation Handbook — Guide to Cost of Capital" (the "Valuation Handbook"). The Valuation Handbook provides the key annual valuation data and the research report on the risk premium has been published annually since 1996. Although the target market of Lattice is not in the U.S., we considered that the information and data it presents was fair and representative to the valuation. According to the LP Group's market capitalization and with reference to the information and data presented in the Valuation Handbook, we applied the size premium return in excess of CAPM of companies in the Low-cap 6-8 deciles of NYSE/AMEX/NASDAQ in the U.S. (i.e. 1.80%) for the case of the LP Group.

Company Specific Risk Premium

The specific risks associated with the LP Group are its business risks related to the implementation of its business plan. Since 2013, the LP Group has been realizing the vertical integration and steadily expanding its product portfolio. Through development and implementation of new technologies and new business areas, the LP Group expects to continue gaining market share and develop new revenue source to sustain long-term growth. It requires time to promote the LP Group's brand and implement its marketing strategies. Besides, the market acceptability of products produced by the LP Group is uncertain since the Silicon-based technology is a relatively new technology and there are many substitutes for the LP Group's products available in the general lighting market in the PRC. We considered that these risks have not been properly accounted for in the cost of equity, thus, based on our professional judgement, an additional risk premium of 1% is applied.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

In determining a reasonable discount for lack of marketability, we have performed both qualitative and quantitative analysis. Qualitatively, we have taken into account that 1) Lattice is a technology leader in GaN-on-Silicon LED technology; 2) Lattice owns significant patents and intellectual property on the GaN-on-Silicon LED technology; 3) Lattice possesses its own production facilities and competent in-house research and development capacity, both of which provides Lattice with flexibility and support for its business expansion; and 4) continuous improvement in Lattice's profitability since 2013 when Lattice started its transformation into a vertically integrated LED company. Quantitatively, we have made reference to the statistics published in the Mergerstat® Review by FactSet Mergerstat. The Mergerstat® Review includes formal transfers of ownership of at least 10% of a company's equity and where at least one of the parties is a U.S. entity. FactSet Mergerstat compiles statistics on publicly announced mergers, acquisitions and divestitures involving operating entities and has tracked these statistics and published its findings for over 45 years. The information and data presented are considered as a good reference against which we can assess an appropriate marketability discount for the subject valuation. The 10-year implied discount for lack of marketability for private controlling ownership interests was in a range of -1.66% to 55.50% with an average of 25.33% and a median of 22.99%. Afterall, we considered a lack of marketability discount of 20% to be reasonable for potential investors who are looking for similar kind of investments like the LP Group.

SENSITIVITY ANALYSIS

The following tables set out the sensitivity of the fair market value of a 59% equity interest in Lattice to changes in (i) the terminal growth rate, (ii) the discount rate and (iii) the lack of marketability discount rate, assuming all other assumptions remain the same except where consequential amendments are required.

Scenario A: Sensitivity of fair market value to changes in the terminal growth rate

Terminal Growth Rate	Indicated Fair Market Value of 59% Equity Interest in Lattice (After Marketability Discount)
0%	HK$2,101,000,000
1%	HK$2,187,000,000
2%	HK$2,286,000,000
3% (Base case)	HK$2,400,000,000
4%	HK$2,532,000,000
5%	HK$2,687,000,000

Scenario B: Sensitivity of fair market value to changes in the discount rate

Discount Rate	Indicated Fair Market Value of 59% Equity Interest in Lattice (After Marketability Discount)
14.44%	HK$2,923,000,000
15.44%	HK$2,640,000,000
16.44% (Base case)	HK$2,400,000,000
17.44%	HK$2,195,000,000
18.44%	HK$2,017,000,000

Scenario C: Sensitivity of fair market value to changes in the discount for lack of marketability

Discount for Lack of Marketability	Indicated Fair Market Value of 59% Equity Interest in Lattice (After Marketability Discount)
10%	HK$2,713,000,000
15%	HK$2,556,000,000
20% (Base case)	HK$2,400,000,000
25%	HK$2,243,000,000
30%	HK$2,087,000,000

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal methods employed, it is our opinion that the fair market value of a 59% equity interest in the business enterprise of Lattice as at 31 March 2015 are reasonably stated by the amount of **HONG KONG DOLLARS TWO BILLION AND FOUR HUNDRED MILLION only (HK$2,400,000,000).**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Group, the LP Group, the shareholders of Lattice or the value reported.

Respectfully submitted,
For and on behalf of

GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, *ASA*	**Kelvin C.H. Chan,** *FCCA, CFA*
Managing Director	*Executive Director*

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/ Intangible Assets) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, China and the Asian region for various purposes since 1988.

Mr. Kelvin C.H. Chan is a CFA Charter holder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

13 July 2015

The Directors
Shunfeng International Clean Energy Limited
Portion A, 10/F
World Wide House
No 19 Des Voeux Road Central
Hong Kong

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 59% EQUITY INTEREST IN LATTICE POWER CORPORATION

TO THE DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED (THE "COMPANY")

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Grant Sherman Appraisal Limited dated 20 May 2015 (and supplemented on 13 July 2015), in respect of the valuation of a 59% equity interest in Lattice Power Corporation (the "**Target Company**"), as at 31 March 2015 (the "**Valuation**") is based. The Target Company is a company incorporated in Cayman Islands and is principally engaged in research and production of light-emitting diode ("**LED**") chips that apply to general lighting, display, liquid crystal display ("**LCD**") backlight and industrial fields. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in a circular dated 13 July 2015 to be issued by the Company in connection with the acquisition of a 59% equity interest in the Target Company (the "**Circular**").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the "Basis of Valuation and Assumptions" in Appendix I of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Lattice Power Corporation.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 July 2015

TC CAPITAL

The Board of Directors
Shunfeng International Clean Energy Limited
Portion A, 10/F
World-Wide House
No. 19 Des Voeux Road Central
Hong Kong

13 July 2015

Dear Sirs,

We refer to the valuation report dated 20 May 2015 (and supplemented on 13 July 2015) prepared by Grant Sherman Appraisals Limited (the "**Independent Valuer**") in relation to the fair market value of 59% equity interest in the business enterprise of Lattice Power Corporation (the "**Valuation**") as at 31 March 2015.

The principal assumptions upon which the Valuation is based are included in the circular of Shunfeng International Clean Energy Limited (the "**Company**") dated 13 July 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We note that the Valuation has been developed based on discounted cash flow analysis which is regarded as profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules.

We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation and have reviewed the letter dated 13 July 2015 issued by Deloitte Touche Tohmatsu, the auditors of the Company, as set out in Appendix II to the Circular in regard to their work performed on the Profit Forecast.

On the basis of the foregoing, we are of the opinion that the Profit Forecast underlying the Valuation, for which the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital as at the Latest Practicable Date
Zhang Yi	Beneficial interest	512,000	0.02%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Director's interests in assets, contracts or arrangements of the Group

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date of which any Director is materially interested and which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2014, the date of which the latest published and audited consolidated financial statements of the Company were made up.

(c) Service contract

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) Other disclosures under the SFO

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice which are included in this circular:

Name	Qualifications
Fortune Financial Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Sherman Appraisal Limited	Independent professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
TC Capital Asia Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2014, being the date to which the latest published and audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which they respectively appear.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published and audited financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors nor their respective associates had any interests in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses which the Directors were appointed as Directors to represent the interests of the Group.

6. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at Portion A, 10/F, World-Wide House, No. 19 Des Voeux Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Share Purchase Agreement;

(b) the ESOP Purchase Agreement;

(c) the Series E Warrant Subscription Agreement;

(d) the Call Option Agreements;

(e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 45 to 46 of this circular;

(f) the letter of advice from Fortune Financial Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 47 to 73 in this circular;

(g) the valuation report prepared by Grant Sherman, the text of which is set out in Appendix I to this circular;

(h) the letter from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;

(i) the letter from TC Capital Asia Limited, the text of which is set out in Appendix III to this circular;

(j) the letter of consent from Fortune Financial Capital referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(k) the letter of consent from Grant Sherman referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(l) the letter of consent from Deloitte Touche Tohmatsu referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(m) the letter of consent from TC Capital Asia Limited referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix; and

(n) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Shunfeng International Clean Energy Limited (the "**Company**") to be held at 99 Yanghu Road, Wujin Hi-Tech Industrial Development Zone, Changzhou City, Jiangsu, the People's Republic of China on 28 July 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the Share Purchase Agreement, the ESOP Purchase Agreement, the Series E Warrant Subscription Agreement and the Call Option Agreements (each as defined in the circular of the Company dated 13 July 2015, of which this notice forms part, copies of which are tabled at the meeting and marked "A", "B", "C" and "D" respectively, and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the completion of the Share Purchase Agreement, to the fulfilment of the conditions relating to the allotment and issue of 278,179,447 new Shares as consideration pursuant to the Share Purchase Agreement and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, such new Shares, the Directors be and are hereby specifically authorised to allot and issue 278,179,447 new Shares to the Shareholder Sellers as consideration in accordance with the terms and conditions of the Share Purchase Agreement;

(c) subject to the completion of the ESOP Purchase Agreement, to the fulfilment of the conditions relating to the allotment and issue of 114,127,598 new Shares as consideration pursuant to the ESOP Purchase Agreement and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, such new Shares, the Directors be and are hereby specifically authorised to allot and issue 114,127,598 new Shares to the ESOP Sellers as consideration in accordance with the terms and conditions of the ESOP Purchase Agreement; and

(d) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute any such other documents, instruments and agreements and to do any such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Share Purchase Agreement, the ESOP Purchase Agreement, the Series E Warrant Subscription Agreement, and the Call Option Agreements (other than any matter in relation to the exercise of the Series E Warrants and the Call Option), and the issue and allotment of the Consideration Shares, including the affixing of the common seal of the Company thereon."

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

Hong Kong, 13 July 2015

Notes:

(1) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.

(3) In order to qualify for the right to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 27 July 2015.

(4) Delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM convened and in such event, the form of proxy shall be deemed to be revoked.

(5) In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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