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Shunfeng Photovoltaic International Limited

順風光電國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

CONTINUING CONNECTED TRANSACTION — LICENCE AGREEMENT

The Company wishes to announce that, on 25 August 2014 (after trading hours), Shunfeng Holdings (a wholly-owned subsidiary of the Company), Taiwan Nanotube, Gold Coin Global and Mr. Tsai entered into a Licence Agreement, pursuant to which (i) Taiwan Nanotube has agreed, amongst other matters, to grant (and shall procure its subsidiaries to grant) to Shunfeng Holdings the licence to use the Applied Technologies and Intellectual Properties in the Overseas Locations, and (ii) Gold Coin Global has agreed, amongst other matters, to grant (and shall procure its subsidiaries to grant) to Shunfeng Holdings the sub-licence to use the Applied Technologies and Intellectual Properties in the China Regions.

Taiwan Nanotube is an advanced nano carbon materials research and development and production company located in the Taiwan Hsinchu Science and Industrial Park. Its designed annual production capacities for carbon nanotubes and graphene will reach 250 tons and 30 tons respectively. Taiwan Nanotube also develops various carbon nanotubes, graphene and other multi-national patent application products.

The seawater power generation technology invented by Taiwan Nanotube, which uses carbon nanotubes and graphene as its negative electrode materials, has a power output of more than 100 times of the power output generated by the graphene technology currently available in the market. This high power output is due to the large surface areas and good electrical conductive properties found in carbon nanotubes and graphene.

Taiwan Nanotube has completed the research, development and tuning in seawater power generation battery, which passed the voltage stabilisation tests with connection to inverters. Taiwan Nanotube has achieved key technology breakthrough and obtained relevant patent.

The seawater power generation battery developed by Taiwan Nanotube using its technology is a major breakthrough as such battery could continuously generate power for forty years.

Accordingly, the Company intends to utilise the opportunities arising from the Licence Agreement to expand its scope and business operations into the seawater power generation business, and also intends to use the Applied Technologies and Intellectual Properties for its future development and expansion into power generation other than using its existing solar technology.

Mr. Cheng is a substantial Shareholder of the Company and indirectly holds 70% of the equity interests in Gold Coin Global. Accordingly, Gold Coin Global, as an associate of Mr. Cheng, is a connected person of the Company under the Listing Rules and the transaction between Gold Coin Global and Shunfeng Holdings under the Licence Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio based on the Proposed Annual Caps is more than 0.1% but less than 5%, the transaction between Gold Coin Global and Shunfeng Holdings under the Licence Agreement will only be subject to the reporting, annual review and announcement requirements and will be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND, REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENCE AGREEMENT

As previously disclosed in the Company's announcements to the Shareholders and the investors, it is the Company's goal to become a distinguished supplier, manufacturer and operator of clean energy. The Company has always been exploring opportunities to further expand the Group's business and scope of operation into the seawater power generation business as well as striving to establish the Group as a fully-integrated clean energy enterprise.

Taiwan Nanotube

Taiwan Nanotube is an advanced nano carbon materials research and development and production company located in the Taiwan Hsinchu Science and Industrial Park. Its designed annual production capacities for carbon nanotubes and graphene will reach 250 tons and 30 tons respectively. Taiwan Nanotube also develops various carbon nanotubes, graphene and other multi-national patent application products.

Innovative seawater power generation technology using carbon nanotubes and graphene

The seawater power generation technology invented by Taiwan Nanotube, which uses carbon nanotubes and graphene as its negative electrode materials, has a power output of more than 100 times of the power output generated by the graphene technology currently available in the market. This high power output is due to the large surface areas and good electrical conductive properties found in both carbon nanotubes and graphene materials.

Completion of a stable technology in seawater power generation

Taiwan Nanotube has completed the research, development and tuning in seawater power generation battery, which passed the voltage stabilisation tests with connection to inverters. Taiwan Nanotube has achieved key technology breakthrough and relevant patent.

The seawater power generation battery development by Taiwan Nanotube using its technology is a major breakthrough as such battery could continuously generate power for forty years.

Seawater power generation is not affected by sunlight, windstorm and earthquake, and such power could be continuously generated for 24 hours a day and 365 days in a year. Further, seawater power generation does not require the occupation of large areas of land, does not produce carbon dioxide and could desalinate seawater. Seawater power generation could be directly incorporated into the electricity grids of power companies, and is a safe and stable power generation system. Seawater power generation would be most suitable for coastal and maritime countries as a new form of energy solution since available natural resources could be effectively utilised. Hence, it is anticipated that the seawater power generation technology would be widely used, develop into a huge market, and would be of great commercial value.

Accordingly, the Company intends to utilise the opportunities arising from the Licence Agreement to expand its scope and business operations into the seawater power generation business, and also intends to use the Applied Technologies and Intellectual Properties for its future development and expansion into power generation other than using its existing solar technology.

LICENCE AGREEMENT

1. Date

25 August 2014 (after trading hours)

2. Parties

- (1) Shunfeng Holdings (as licensee);
- (2) Taiwan Nanotube (as licensor);
- (3) Gold Coin Global (as sub-licensor); and
- (4) Mr. Tsai (as guarantor).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Gold Coin Global, which is a connected person of the Company, each of Taiwan Nanotube and Mr. Tsai is an Independent Third Party.

3. Duration

In respect of the transaction between Shunfeng Holdings and Taiwan Nanotube under the Licence Agreement, the term of which is perpetual unless terminated by either party in accordance with the Licence Agreement.

In respect of the transaction between Shunfeng Holdings and Gold Coin Global under the Licence Agreement, the term of which is for a period of three years commencing from the date of the Licence Agreement unless terminated by either party in accordance with the Licence Agreement before the expiry of such term.

4. Subject matter

Overseas Locations

Pursuant to the Licence Agreement, Taiwan Nanotube has agreed to, and will procure its subsidiaries:

- (1) to grant a licence for Shunfeng Holdings to use (which includes but is not limited to conducting research and development together with Taiwan Nanotube in relation to the Specific Products, manufacturing, commission for manufacturing, sale, commission for sale, and the importing and exporting of the Specific Products) the Applied Technologies and Intellectual Properties in the Overseas Locations;
- (2) to grant a licence for Shunfeng Holdings to use Taiwan Nanotube's logo(s), brand(s) or trademark(s) (including the logo(s), brand(s) or trademark(s) which may be developed by Taiwan Nanotube and/or its subsidiaries from time to time) in the Overseas Locations;
- (3) save for the terms set out in the Original Agreement, to not grant any of the Applied Technologies and Intellectual Properties in the Agreed Jurisdictions to any other third parties;
- (4) to not directly or indirectly sell the Specific Products or any products which may compete with the Specific Products in the Agreed Jurisdictions, and to refer any business opportunities, potential clients and any sales or client networks in relation to the sales of Specific Products in the Agreed Jurisdictions to Shunfeng Holdings; and
- (5) to not directly or indirectly carry out any Relevant Business in the Agreed Jurisdictions, or to participate in any matters or have any interests which would compete with the Relevant Business.

China Regions

Pursuant to the Licence Agreement, Gold Coin Global has agreed to, and will procure its subsidiaries:

- (1) to grant the sub-licence for Shunfeng Holdings to use (which includes but is not limited to conducting research and development, manufacturing, commission for manufacturing, sale, commission for sale, and the importing and exporting of the Specific Products in relation to) the Applied Technologies and Intellectual Properties in the China Regions;
- (2) to grant the sub-licence for Shunfeng Holdings to use Taiwan Nanotube's logo(s), brands(s) or trademark(s) pursuant to the Licence Agreement (in addition to any logo(s), brands(s) or trademark(s) developed by Taiwan Nanotube from time to time) in connection with the promotion, marketing and sale of the Specific Products in the China Regions;
- (3) to not grant the use of any of the Applied Technologies and Intellectual Properties in the China Regions to any other third parties; and
- (4) to not directly or indirectly carry out any Relevant Business in the China Regions, or to participate in any matters or otherwise have any interests which would compete with the Relevant Business.

5. Other key terms

Pursuant to the terms of the Licence Agreement, Taiwan Nanotube has agreed to provide the Specific Products, technical support and all necessary assistance to Shunfeng Holdings in relation to the use of the Applied Technologies and Intellectual Properties as well as the seawater power generation business, including site selection and obtaining relevant approvals.

6. Fees and payment terms

Pursuant to the Licence Agreement, Shunfeng Holdings has agreed to pay a licensing fee to each of Taiwan Nanotube and Gold Coin Global in the manner described below:

- (a) to Taiwan Nanotube: a licensing fee representing 30% of the profit before tax of the Group's business(es) in the Overseas Locations which principally uses the Applied Technologies and Intellectual Properties; and
- (b) to Gold Coin Global: a licensing fee representing 30% of the profit before tax of the Group's business(es) in the China Regions which principally uses the Applied Technologies and Intellectual Properties.

In relation thereto, it has been further agreed between the parties that:

- (a) the calculation of "profit before tax" shall be based on the applicable accounting policies;

- (b) the licensing fee payable by Shunfeng Holdings to Gold Coin Global shall not exceed the annual caps disclosed in this announcement; and
- (c) the licensing fees payable per year shall be determined at the end of each financial year, being 31 December, and the licensing fees shall be paid within 30 days after the relevant audited financial statement is issued.

The licencing fee payable by Shunfeng Holdings to each of Taiwan Nanotube and Gold Coin Global pursuant to the Licence Agreement has been arrived at after arm's length negotiation between the parties.

The Directors, including the independent non-executive directors of the Company, consider that the Licence Agreement was entered into on normal commercial terms, and that the terms of the transactions contemplated by the Licence Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

PROPOSED ANNUAL CAPS

It is projected that the annual aggregate amount payable to Gold Coin Global by Shunfeng Holdings shall not exceed the Proposed Annual Caps in respect of each of the financial years, the details of which are as follows:

	For the year ending		
	31 December 2014^{Note 1}	31 December 2015	31 December 2016
Proposed Annual Caps	0	RMB10,000,000	RMB30,000,000

Note 1: It is expected that the Group will commence testing of the Applied Technologies and Intellectual Properties for the first 18 months immediately upon the signing of the Licence Agreement, the testing of which includes site selection, obtaining relevant government approval and power plant construction. Accordingly, it is expected that no revenue will be generated in 2014.

The Proposed Annual Caps have been estimated based on the internal business plan and the projected revenue of the Relevant Business with reference made to the revenue and cost implications of the existing solar power generation business of the Group. The estimated fees and the Proposed Annual Caps disclosed herein are not intended, and do not purport, to be an indication of the Group's future performance or profitability and investor should not rely on the estimated fees and the Proposed Annual Caps in deciding whether to invest in the shares of the Company.

LISTING RULES IMPLICATIONS

Mr. Cheng is a substantial Shareholder of the Company and indirectly holds 70% of the equity interests in Gold Coin Global. Accordingly, Gold Coin Global, as an associate of Mr. Cheng, is a connected person of the Company under the Listing Rules and the transaction between Gold Coin Global and Shunfeng Holdings under the Licence Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio based on the Proposed Annual Caps is more than 0.1% but less than 5%, the transaction between Gold Coin Global and Shunfeng Holdings under the Licence Agreement will only be subject to the reporting, annual review and announcement requirements and will be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

No Director has a material interest in the Licence Agreement and the transactions contemplated thereunder. As a matter of good corporate governance, Mr. Lu Bin, (being the brother-in-law of Mr. Cheng), has voluntarily abstained from voting on the meeting of the Board for approving the Licence Agreement and the transactions contemplated thereunder (including the approval of the Proposed Annual Caps). Save as disclosed above, no Director was required to abstain from voting on the meeting of the Board for, amongst others, approving the Licence Agreement and the transactions contemplated thereunder (including the approval of the Proposed Annual Caps).

GENERAL INFORMATION

The Group is principally engaged in solar power generation; development, operation and maintenance of solar power plants; and manufacturing and sales of solar cells, solar modules, solar wafers and related products.

Taiwan Nanotube is principally engaged in the invention, development and production of technologies relating to the materials of carbon nanotube and graphene especially focus on seawater power generation including the applied technologies and intellectual properties.

Gold Coin Global is an investment holding company, owned as to 70% by Mr. Cheng and 30% by Taiwan Nanotube. On 3 January 2014, Taiwan Nanotube entered into the Original Agreement with Gold Coin Global and Mr. Tsai. Pursuant to the Original Agreement, Taiwan Nanotube has agreed to grant to Gold Coin Global, amongst other matters, an exclusive licence to use the Applied Technologies and Intellectual Properties in the China Region.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Agreed Jurisdictions”	the China Regions and Overseas Locations
“Applied Technologies”	the various logos, invention rights, applied technologies, products, results and any Intellectual Properties in relation to the Relevant Business in the Agreed Jurisdictions which have been developed by each of Taiwan Nanotube, Gold Coin Global and/or each of their subsidiaries as provided in the Licence Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“China Regions”	the PRC, Hong Kong and Macau
“Company”	Shunfeng Photovoltaic International Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	Director(s) of the Company
“Gold Coin Global”	Gold Coin Global Limited (金元環球有限公司), a company incorporated under the laws of the British Virgin Islands, owned as to 70% by Mr. Cheng and is a connected person of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person who is not a connected person of the Company or an associate of such connected person

“Intellectual Properties”	all the intellectual property rights (whether such intellectual property rights have been registered or able to be registered), including but not limited to the exclusive rights, logo rights, author rights, designs, specialist technologies and other know-hows and related information in relation to the Applied Technologies developed by or caused to be developed by Taiwan Nanotube, Gold Coin Global (and/or its subsidiaries) or Shunfeng Holdings (or any of its sub-licencees) as provided in the Licence Agreement
“Licence Agreement”	a licence agreement between Shunfeng Holdings, Taiwan Nanotube, Gold Coin Global and Mr. Tsai entered into on 25 August 2014 (after trading hours) in relation to, amongst other matters, the grant of a licence from Taiwan Nanotube to Shunfeng Holdings to use the Applied Technologies and Intellectual Properties in the Overseas Locations, and the grant of a sub-licence from Gold Coin Global to Shunfeng Holdings to use the Applied Technologies and Intellectual Properties in the China Regions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Cheng”	Mr. Cheng Kin Ming
“Mr. Tsai”	Mr. Tsai Chun-Hsien (蔡群賢)
“Original Agreement”	comprising (i) a licence agreement dated 3 January 2014 in relation to the Applied Technologies and certain intellectual properties, and (ii) an exclusive agent and manufacturer agreement dated 3 January 2014, both of which were entered into by Taiwan Nanotube, Gold Coin Global and Mr. Tsai
“Overseas Locations”	worldwide with the exception of the China Regions, Japan and Taiwan, the Republic of China
“PRC”	People’s Republic of China. For the purpose of this definition, excluding Hong Kong and Macau
“Proposed Annual Caps”	the maximum annual amount of the licensing fees payable by Shunfeng Holdings to Gold Coin Global pursuant to the Licence Agreement for each of the three financial years of the Company ending 31 December 2014, 31 December 2015 and 31 December 2016
“Relevant Business”	business relating to seawater power generation and the construction and operation of sea power plants in the Agreed Jurisdictions

“RMB”	renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shunfeng Holdings”	Shunfeng Photovoltaic Holdings Limited (順風光電控股有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Specific Products”	the products produced by using the Applied Technologies and Intellectual Properties from time to time and the relevant parts in relation thereto
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Taiwan Nanotube”	Taiwan Carbon Nanotube Technology Corporation (台灣奈米碳管股份有限公司), a company incorporated under the laws of Taiwan, the Republic of China, and is the original inventor and owner of the Applied Technologies and Intellectual Properties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Shunfeng Photovoltaic International Limited
Zhang Yi
Chairman

Hong Kong, 25 August 2014

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