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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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順風國際清潔能源有限公司  
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 01165)

**(1) VERY SUBSTANTIAL DISPOSAL**  
**(2) CONNECTED TRANSACTION**  
**AND**  
**(3) NOTICE OF EGM**

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



**PLATINUM**  
Securities

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Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 41 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 84 of this circular.

A notice convening the EGM to be held at Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 28 August 2019 at 11 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://sfcegroup.com>). Whether or not you intend 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 branch share registrar of the Company 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 but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof should you so wish.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CNNC-IFMC”	CNNC Industry Fund Management Corporation* (中核產業基金管理(北京)有限公司), a private equity fund manager established by China National Nuclear Corporation in China on 4 July 2011 and is registered with the Asset Management Association of China
“Company”	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal on or before the Long Stop Date, including the completion of the transfer registration in respect of the Target Interest in the name of the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement
“Condition(s)”	the condition(s) precedent to Completion under the Sale and Purchase Agreement
“Consideration”	the consideration for the Disposal payable by the Purchaser to the Vendor under the Sale and Purchase Agreement, being RMB3,000 million
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cornucopiae”	Cornucopiae Asset Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation registered under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance
“Directors”	the directors of the Company

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## DEFINITIONS

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“Disposal”	the disposal of the Target Interest by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Disposal Announcements”	the announcements of the Company dated 27 September 2018 and 25 March 2019 in relation to, among other things, the Disposal
“Disposal Group”	the Target Company and its subsidiaries engaging in the PRC Manufacturing Business and the Overseas Business
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Group”	the Company and its subsidiaries
“GW”	gigawatt, which equals to 1,000,000,000 watts
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson, being the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Cheng and his associates

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## DEFINITIONS

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“Independent Third Party”	a person who is not a connected person under Chapter 14A of the Listing Rules
“Jiangsu Shunfeng Electricity”	Jiangsu Shunfeng Photovoltaic Electricity Company Limited* (江蘇順風光電電力有限公司), a company established under the laws of the PRC with limited liability, a wholly owned subsidiary of the Vendor
“Jiangsu Wujin”	Jiangsu Wujin Gaoxin Investment Holdings Company Limited* (江蘇武進高新投資控股有限公司), a company established in the PRC with limited liability
“Latest Practicable Date”	28 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lattice Power”	Lattice Power Corporation, a company incorporated in Cayman Islands and is principally engaged in manufacturing and sales of LED products
“LED Business”	the manufacturing business of LED, an energy efficient lighting device, which is operated via Lattice Power Corporation, a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Liyang Shuneng”	Liyang Shuneng Photovoltaic Power Co., Ltd.* (溧陽順能光電電力有限公司), a company intended to be established by Jiangsu Shunfeng Electricity by way of separation pursuant to the terms of the Sale and Purchase Agreement
“Long Stop Date”	30 June 2019, which was extended to 30 September 2019 or a later date as agreed between the Parties as disclosed in the announcement of the Company dated 28 June 2019
“Mr. Cheng”	Mr. Cheng Kin Ming, a substantial shareholder of the Company holding approximately 29.98% of the total issued shares of the Company as at the Latest Practicable Date
“MW”	megawatt, which equals to 1,000,000 watts
“Overseas Business”	collectively, the Overseas Plants business and the Plant Management business

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## DEFINITIONS

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“Overseas Plants”	the construction, operations and sale of solar power plants in Europe and Japan by the Group
“Party(ies)”	the Vendor and the Purchaser
“Peace Link”	Peace Link Services Limited, a company incorporated under the laws of the BVI with limited liability and beneficially owned by Mr. Cheng
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“Plant Management”	power plant management and energy solution services that are primarily provided via Solarstorm AG, a German headquartered subsidiary of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Manufacturing Business”	the manufacturing and sales of solar cells, modules and panel in the PRC operated by the Disposal Group
“PRC Power Generation Business”	the operations of solar power plants in the PRC by the Group or the Remaining Group (as the case may be)
“Previous Subscriber”	CAM SPC – CNNC-IFMC HK Industry Fund SP, a company incorporated in Cayman Islands and a fund jointly managed by CNNC-IFMC and Cornucopiae in their capacity as investment manager, or its nominee, and was wholly-owned by Ms. Xiao Yanming (肖豔明女士) as at 14 December 2018
“Previous Subscription”	the proposed subscription of the 7,591,153,464 Shares by the Previous Subscriber which lapsed on 31 March 2019
“Previous Subscription Agreement”	the subscription agreement dated 14 December 2018 and entered into among the Company, the Previous Subscriber (as subscriber) and the Target Company (as guarantor) in relation to the Previous Subscription which lapsed on 31 March 2019
“Purchaser”	Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), a company incorporated under the laws of the BVI with limited liability and indirectly and wholly owned by Mr. Cheng and a connected person of the Company

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## DEFINITIONS

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“Remaining Business”	the business of the Remaining Group immediately after the Disposal, which comprises the PRC Power Generation Business and the LED Business
“Remaining Group”	the Company and its subsidiaries (excluding the Disposal Group) after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 December 2018 entered into between the Vendor and the Purchaser in relation to the Disposal (as amended and supplemented on 24 March 2019 and from time to time)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shunfeng Photovoltaic China”	Shunfeng Photovoltaic Investment (China) Co., Ltd.* (順風光電投資(中國)有限公司), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sino Alliance”	Sino Alliance Capital Ltd., an Independent Third Party who had provided a loan facility to the Company in the amount of HK\$2,500 million as at the date of the Sale and Purchase Agreement
“State Grid”	State Grid Corporation of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司), a company established under the laws of the PRC with limited liability

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## DEFINITIONS

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“Target Interest”	100% of the equity interest in the Target Company, together with all the rights, benefits and obligations of a shareholder corresponding to such equity interest
“Third CB”	the third batch of outstanding convertible bonds issued by the Company and held by Peace Link in the principal amount of HK\$2,148 million with a maturity date of 15 April 2024
“Valuer”	AVISTA Valuation Advisory Limited
“Vendor”	Shunfeng Photovoltaic Holdings Limited (順風光電控股有限公司), a company incorporated under the laws of Hong Kong with limited liability and a direct wholly owned subsidiary of the Company
“Wuxi Suntech”	Wuxi Suntech Power Co., Ltd.* (無錫尚德太陽能電力有限公司) a company established under the laws of the PRC with limited liability and a subsidiary of the Target Company
“%”	per cent

*For the purpose of this circular, translations of HK\$ into RMB or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to RMB0.88. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

\* For identification purpose only



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## LETTER FROM THE BOARD

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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

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

**(Stock Code: 01165)**

***Executive Directors:***

Mr. Zhang Fubo (*Chairman*)  
Mr. Wang Yu (*Chief Executive Officer*)  
Mr. Lu Bin  
Mr. Chen Shi

***Registered office:***

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

***Independent non-executive Directors:***

Mr. Tao Wenquan  
Mr. Zhao Yuwen  
Mr. Kwong Wai Sun Wilson

***Principal place of business***

***in Hong Kong:***

Portion C, 30/F, Bank of China Tower  
1 Garden Road, Central  
Hong Kong

30 June 2019

*To the Shareholders*

Dear Sir/Madam,

**(1) VERY SUBSTANTIAL DISPOSAL  
(2) CONNECTED TRANSACTION**

**INTRODUCTION**

Reference is made to the Disposal Announcements, in which it was announced that on 10 December 2018 (after trading hours), the Vendor (a direct wholly owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Interest, representing 100% of the equity interests in the Target Company, at an aggregate Consideration of approximately RMB3,000 million. Together with the waiver by Peace Link of HK\$1,948 million under the Third CB as described in the section headed “Waiver of Third CB” above, the total benefit to the Company arising from the Disposal and the waiver of the Third CB is approximately RMB4,700 million.

The purpose of this circular is to provide you with, among other things:

- (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder;

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## LETTER FROM THE BOARD

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- (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iv) the financial and other information on the Remaining Group and the Disposal Group;
- (v) the pro forma financial information of the Remaining Group upon completion of the Disposal; and
- (vi) the notice of the EGM.

At the EGM, resolutions will be proposed to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

### THE SALE AND PURCHASE AGREEMENT

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

- Date : 10 December 2018
- Parties : (i) Shunfeng Photovoltaic Holdings Limited\* (順風光電控股有限公司) (a direct wholly owned subsidiary of the Company, as the Vendor)
- (ii) Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司) (as the Purchaser)
- Asset to be disposed of : the Target Interest, representing 100% of the equity interest in the Target Company, together with all the rights, benefits and obligations of a shareholder corresponding to such equity interest, including the ownership of relevant assets of the PRC Manufacturing Business and Liyang Shuneng (please refer to the sub-section headed “The Sale and Purchase Agreement – Pre-completion internal reorganization steps” for further information).

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## LETTER FROM THE BOARD

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Consideration and payment : The aggregate Consideration is RMB3,000 million, which comprises the amounts of (a) RMB200 million; (b) HK\$1,200 million; and (c) RMB1,745 million, and shall be paid and settled according to their respectively stated currency, without the need to be converted into RMB or HK\$ (as the case may be).

The settlement methods of the Consideration involve (i) cash payment from the Purchaser to the Vendor of: (a) an amount of RMB200 million; and (b) an amount of RMB1,745 million which will be applied to repay certain amounts payable by the Vendor's wholly-owned subsidiary to the Disposal Group; and (ii) the Purchaser assuming certain indebtedness owed by the Vendor to a third party lender.

Details are set out as follows:

- (i) **Payment in cash by the Purchaser to the Vendor** – a total amount of RMB1,945 million in cash payable as follows: (a) RMB200 million will be paid on or before the date of Completion; (b) an amount of RMB1,745 million (the “**Second Payment**”) will be paid in cash free of interest within three (3) months after the date of Completion.
- (ii) **Assumption of debt by the Purchaser** – As at the date of the Sale and Purchase Agreement, the total amount of loan facility provided by Sino Alliance to the Company was HK\$2,500 million. As part of the Consideration, the Parties shall enter into an agreement and all relevant legal documents with Sino Alliance, the debt amount of HK\$1,200 million out of the HK\$2,500 million loan facility provided by Sino Alliance shall be assigned to and assumed by the Purchaser with effect at Completion.

As at the Latest Practicable Date, to the best of the knowledge of the Company, Sino Alliance does not hold any Shares and is an Independent Third Party.

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## LETTER FROM THE BOARD

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Basis of the Consideration : The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, taking into account, among other things:

- (i) the final valuation dated 30 December 2018 of the Target Interest as at 30 June 2018 conducted by the Valuer adopting the market approach of approximately RMB2,952 million;
- (ii) the unaudited financial information of the Disposal Group including but not limited to the net asset value of the Disposal Group as at 30 June 2018 of approximately RMB4,183 million.

The aggregate Consideration of RMB3,000 million is approximately RMB1,183 million under the net asset value of the Disposal Group. Please refer to the sub-section headed "Reasons for and Benefits of the Disposal – Basis of the Consideration" for the Directors' views in relation to the fairness and reasonableness of the Consideration.

For details of the unaudited financial information of the Disposal Group, please refer to Appendix II to this circular.

Conditions precedent : Completion is subject to and conditional upon the satisfaction of the following Conditions, unless waived pursuant to the Sale and Purchase Agreement:

- (1) the Company having obtained the consent and approval of the Stock Exchange and the Executive for the Disposal, including in relation to special deal under Rule 25 of the Takeovers Code (if applicable);
- (2) the Independent Shareholders having approved the Disposal in accordance with the Listing Rules and under Rule 25 of the Takeovers Code in relation to special deal (if applicable);
- (3) Completion not resulting in the Company losing its listing status pursuant to the Listing Rules;

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## LETTER FROM THE BOARD

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- (4) provided that the Previous Subscriber has become a Shareholder at the prevailing time, the Previous Subscriber and the Vendor having confirmed that the Disposal does not require the approval and filing of the state-owned assets supervision and administration department of the PRC;
- (5) the pledge and mortgage on the Target Interest and the relevant assets of the Target Company as particularised in the Sale and Purchase Agreement having all been released without any encumbrances;
- (6) the Vendor having obtained all other necessary consents and approvals in connection with the documents contemplated under the Sale and Purchase Agreement for the purpose of executing, delivering and performing the transactions and documents contemplated by the Sale and Purchase Agreement;
- (7) the Purchaser having obtained all other necessary consents and approvals in connection with the documents contemplated under the Sale and Purchase Agreement for the purpose of executing, delivering and performing the transactions and documents contemplated by the Sale and Purchase Agreement;
- (8) the Company having obtained a valuation report issued by an independent professional valuer appointed by the Company that is reasonably satisfactory to the Company in both form and substance;
- (9) there having been no material adverse change to the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of any companies in the Disposal Group since date of the Sale and Purchase Agreement;

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## LETTER FROM THE BOARD

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- (10) the Vendor and the Disposal Group having fully cooperated with the Purchaser and its appointed consultants and agents on their full and appropriate due diligence within 30 business days from the date of the Sale and Purchase Agreement in accordance with the reasonable request of the Purchaser, in respect of the assets, liabilities, operations and affairs of the Disposal Group, and the results of which being consistent in all material or substantive aspects with the information disclosed by the Vendor prior to the date of the Sale and Purchase Agreement and the information obtained by the Purchaser;
- (11) no court, arbitrator, government agency, statutory or regulatory body having ever issued or instituted any restrictions, prohibitions or illegalized any transactions under the Sale and Purchase Agreement, or any notices, orders, judgments, actions or legal proceedings that may reasonably have a material adverse effect on the Purchaser's rights, without any encumbrance, as a legal and beneficial owners of the Target Interest upon Completion;
- (12) the representations and warranties made by the Vendor under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties; and
- (13) the representations and warranties made by the Purchaser under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties.

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## LETTER FROM THE BOARD

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The Vendor shall use its best endeavours to procure the fulfilment of Conditions (1), (2) (3), (4), (5), (6), (8), (9) and (10). The Purchaser shall use its best endeavours to procure the fulfilment of Conditions (7) and (10). The Purchaser shall promptly provide the Vendor, the Stock Exchange, the SFC or other relevant regulatory authorities with all documents and information required by the Listing Rules, the Takeovers Code or other applicable rules, codes or regulations, whether or not in relation to the announcement, circular or other documents regarding the Disposal.

The Parties undertook to each other that it shall use its best endeavour to ensure that the Conditions will be fulfilled as soon as practicable and in any event shall not be later than the Long Stop Date. The Vendor has been negotiating with the Purchaser and has reached a preliminary consensus with the Purchaser with respect to the extension of the Long Stop Date. The Parties has entered into a supplemental agreement to further extend the Long Stop Date to 30 September 2019. Please refer to the announcement of the Company dated 28 June 2019 for further details.

In the event that the Conditions are not fulfilled (or waived) by the Long Stop Date, the Sale and Purchase Agreement shall terminate and become ineffective, upon which the Parties shall be released from all obligations of the Sale and Purchase Agreement, save for any obligations for antecedent breaches by a Party.

Each Party has the right to waive the Condition that is required to be fulfilled by the other Party by written advance notice (except that Conditions (1) and (2) are not waivable by any Party). As at the Latest Practicable Date, Conditions (3), (8) and (10) have been fulfilled.

Reference is made to the announcement of the Company dated 31 March 2019 in relation to, among other things, the lapse of long stop date under the Previous Subscription Agreement (the “**Lapse of Subscription Agreement**”) and the announcement of the Company dated 3 April 2019 which announced that the Disposal no longer constitutes a special deal of the Company under Rule 25 of Takeovers Code (the “**No Special Deal Announcement**”).

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## LETTER FROM THE BOARD

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As disclosed in the Lapse of Subscription announcement, as the long stop date of the Subscription Agreement fell on 31 March 2019 and the parties had not agreed to an extension thereof, the Subscription Agreement has lapsed. As disclosed in the No Special Deal Announcement, the Disposal no longer constitutes a special deal of the Company under Rule 25 of Takeovers Code.

In view of the above, the consent and approval of the Executive for the Disposal under Condition (1), as well as the reference to Rule 25 of the Takeovers Code in relation to special deal under Condition (2), are no longer applicable. Further, as confirmed by the PRC legal advisers of the Company, the relevant approval and filing of the state-owned assets supervision and administration department of the PRC under Condition (4) is also no longer required given that the Subscription Agreement has lapsed and has been waived by a supplemental agreement to be entered into by the parties. Please refer to the announcement of the Company dated 28 June 2019 for further details.

The Company confirms that the other Conditions are not affected by the Lapse of Subscription Agreement and remain applicable.

Completion : Completion shall take place within 10 business days after the Conditions have been fulfilled. The Vendor and the Purchaser shall proactively cooperate with the Target Company to submit to the relevant local government authorities all relevant materials required for the approvals and filings required for Completion.

In order to facilitate the Completion, the Parties shall endeavour to ensure the approval, filing and completion procedures of all relevant authorities (including but not limited to industry and commerce, foreign exchange, commerce, development and reform committees) required for the Completion be completed.

Repayment of the Relevant Payables The relevant amounts owed by the Vendor's wholly-owned subsidiary, Shunfeng Photovoltaic China and payable to the Disposal Group (the "**Relevant Payables**") as at 28 February 2019 amount to approximately RMB1,862 million.



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## LETTER FROM THE BOARD

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As disclosed in the sub-section headed “the Sale and Purchase Agreement – Consideration and payment” above, the Purchaser shall pay the Second Payment of RMB1,745 million as part of the Consideration in cash free of interest within three (3) months after the date of Completion.

Please refer to the sub-section headed “Reasons for repaying the Relevant Payables with the Second Payment” for the Directors’ views in relation to the fairness and reasonableness of the deferred receipt arrangement.

After the Purchaser has made the Second Payment to the Vendor, the Vendor shall, as soon as possible, apply the cash from the Second Payment to repay the Relevant Payables. In addition, any outstanding amount of the Relevant Payables (i.e. approximately RMB117 million, calculated based on the difference between the Relevant Payables as at 28 February 2019 of approximately RMB1,862 million and the Second Payment of RMB1,745 million) shall be repaid by Shunfeng Photovoltaic China to the Disposal Group no later than six (6) months after Completion.

Pre-completion internal reorganization steps : As certain assets of the PRC Manufacturing Business intended to be sold by the Vendor to the Purchaser are not currently held under the Disposal Group, but are held by a wholly owned subsidiary of the Vendor (namely, Jiangsu Shunfeng Electricity), the Parties agreed to undertake the following pre-completion internal reorganization steps to transfer such assets to the Disposal Group:

- (i) **Separation of Jiangsu Shunfeng Electricity** – It is expected that the Vendor, Jiangsu Shunfeng Electricity and Liyang Shuneng will enter into a separation agreement, pursuant to which Jiangsu Shunfeng Electricity will establish Liyang Shuneng by way of separation under the PRC laws.
- (ii) **Transfer of the Relevant Assets to Liyang Shuneng** – Pursuant to the separation agreement, certain land, plants, machines facilities and liabilities related to solar power module manufacturing and operation held by Jiangsu Shunfeng Electricity (the “**Relevant Assets**”) will be transferred from Jiangsu Shunfeng Electricity to Liyang Shuneng.

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## LETTER FROM THE BOARD

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- (iii) **Transfer of the equity interest of Liyang Shuneng to the Disposal Group** – The Vendor and Wuxi Suntech (being a subsidiary of the Target Company) shall, within 12 months from the establishment of Liyang Shuneng (or a reasonable time determined in writing by the Parties after negotiation), enter into an equity transfer agreement to complete the transfer of the entire equity interest of Liyang Shuneng to Wuxi Suntech in accordance with the equity transfer agreement.

The consideration for the transfer of entire equity interest of Liyang Shuneng has been included in the Consideration, and the Purchaser and/or Wuxi Suntech shall not be required to pay the Vendor further consideration for the equity interest of Liyang Shuneng. For the sake of clarity, Liyang Shuneng has not been included in the Disposal Group as at the Latest Practicable Date and was not included in the valuation report compiled by the Valuer.

As at the Latest Practicable Date, the separation of Jiangsu Shunfeng Electricity is still on-going. The Company has submitted the application and relevant materials in relation to the separation to the local Industry and Commerce Department, but the procedures of the separation still require the approval of the local Industry and Commerce Department. As the separation of Jiangsu Shunfeng Electricity has not been completed, the transfer of the Relevant Assets to Liyang Shuneng and the transfer of the equity interest of Liyang Shuneng to the Disposal Group have not been completed.

On the date of determination of the Consideration as at 30 June 2018, none of the reorganization steps were completed. As such, the valuation of Liyang Shuneng was not included in the valuation of the Disposal Group as at 30 June 2018.

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## LETTER FROM THE BOARD

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As at 30 June 2018, the total assets, total liabilities and net assets of the Relevant Assets, the Disposal Group and the respective proportion related to the Relevant Assets over the sum of which of the Disposal Group and the Relevant Assets are summarized for further information as follow:

	The Relevant Assets <i>(note i)</i> RMB in millions (a)	The Disposal Group <i>(note ii)</i> RMB in millions (b)	Sum of the Disposal Group and the Relevant Assets RMB in millions (c) = (a) + (b)	Proportion <i>(note iii)</i> (a)/ (c)
Total assets	162.85 (note iv)	9,619.04	9,781.89	1.7%
Total liabilities	113.85 (note v)	5,435.81	5,549.66	2.1%
Net assets	49.00	4,183.23	4,232.23	1.2%

*Notes:*

- (i) Extracted from the unaudited management accounts of Liyang Shuneng as at 30 June 2018 prepared by the management of the Group under International Financial Reporting Standards (“IFRSs”).
- (ii) Extracted from the unaudited management accounts of the Disposal Group by the management of the Group as at 30 June 2018 prepared under IFRSs.
- (iii) Proportion of total assets, total liabilities and net assets refers to such of the Relevant Assets over the sum of which of the Disposal Group and the Relevant Assets.
- (iv) Total assets of the Relevant Assets as at 30 June 2018 consist of the carrying amounts of property, plant and equipment of RMB137.78 million, prepaid lease payments of RMB25.06 million and intangible assets of RMB0.01 million.
- (v) Total liabilities related to the Relevant Assets as at 30 June 2018 consist of the carrying amounts of the amount due to the Disposal Group of RMB79.75 million and trade payables of RMB34.1 million.

Based on the above, the Directors determined that the Relevant Assets is not significant to the Disposal. In addition, since the Relevant Assets is closely related to the business of the Disposal Group, for the sake of efficiency and cost saving, the Directors, instead of engaging the Valuer, determined the fair value of the Relevant Assets as at 30 June 2018 on their own by applying a consistent methodology that had been adopted by the Valuer when they perform the valuation of the Disposal Group.

### WAIVER OF THIRD CB

As an assistance to the Group’s effort of reducing its overall debt level, on 24 March 2019, Peace Link has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link has agreed to, conditional upon completion of the Disposal and completion of the Previous Subscription both having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million out of HK\$2,148 million under the Third CB for no consideration. In addition, in light of the lapse of the Previous Subscription Agreement on 31 March 2019, on 15 May 2019, Peace Link waived the condition for the above waiver that completion of the Previous Subscription shall have taken place. Upon the waiver, HK\$200 million of the Third CB will remain outstanding.

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## LETTER FROM THE BOARD

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### VALUATION OF THE DISPOSAL GROUP

Pursuant to the valuation report compiled by the Valuer adopting the market approach dated 30 December 2018, the valuation of the Disposal Group as at 30 June 2018 was approximately RMB2,952 million. Set out below are the major assumptions of the valuation:

- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group; and
- it is assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values.

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely the cost approach, the income approach, and the market approach. The Valuer has considered all three approaches and decided to adopt the market approach for the following reasons:

- The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. The cost approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, cost approach is not adopted in the valuation.
- The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Referring to the historical performance of the Target Group, its profitability is highly determined by the market prices of their products and raw materials. From FY2016 to FY2018, the unit prices of its products were in a decreasing trend causing its gross profit and net profit margin to drop significantly during the period. The gross profit of the Target Group was RMB1,033.8 million in FY2017 and RMB388.7 million in the first half of FY2018, representing a gross profit margin of 12.0% and 8.9% respectively. Earnings before interest, tax, depreciation and amortization (“**EBITDA**”) were RMB 719.8 million in FY2017 and RMB149.1 million in first half of FY2018, representing an EBITDA margin of 8.4% and 3.4% respectively. After considering depreciation, taxation and finance cost, the normalized net profit was RMB99.2 million in FY2017, while the normalized net loss was RMB189.5 million in the first half of FY2018. The management considers that they cannot provide a precise and concrete financial

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## LETTER FROM THE BOARD

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projection on the business due to the evolving uncertainties of market environment. Given that improper assumptions will impose significant impact on the fair value, income approach is not adopted in the valuation.

- The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, market approach has been adopted in the valuation.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

#### 2016 Possible Disposal

Back in May 2016, the Company and the Purchaser were contemplating the possible disposal of the Target Company (“**2016 Possible Disposal**”), the business of which were substantially the same as the business of the Disposal Group to date (except that the Overseas Business is also intended to be disposed of in the current Disposal). The 2016 Possible Disposal was also announced by the Company in its announcement dated 31 May 2016.

The development of the business of the Group, in particular the construction of the solar power farms in the PRC, was extremely capital intensive. Whilst the Group operates a substantial level of clean energy businesses, one important factor that had hindered the Group’s financial performance has been the high level of finance costs (i.e. interest expenses) associated with its high debt level. As disclosed in the 2016 interim report of the Company, as at 30 June 2016, the Group was in a negative net cash position of RMB12,295.3 million. All of the proceeds from the 2016 Possible Disposal were proposed to be used for the reduction of the Group’s debt.

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## LETTER FROM THE BOARD

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### **Alternative financing and termination of the 2016 Possible Disposal**

Whilst considering whether to proceed with the 2016 Possible Disposal, the Company was in search for alternative debt financing opportunities. Similar to the 2016 Possible Disposal, the purpose of the alternative debt financing was to provide the Group with additional liquidity, including in discharging a number of upcoming repayment obligations.

The Group had identified a lender, Sino Alliance, an Independent Third Party, which had, pursuant to a loan agreement, agreed to provide a HK\$2,500 million (approximately RMB2,236 million) facility (the “**Sino Alliance Facility**”) to the Group in December 2016 pursuant to the arrangement. The term of the Sino Alliance Facility is two years. Also, as part of the Sino Alliance Facility, the Group had to charge its 100% equity interests in certain of its subsidiaries including Wuxi Suntech, the Target Company, and the Vendor, together with certain properties, plant and equipment of Wuxi Suntech as security for the loan. The Target Company and Wuxi Suntech comprised the majority of the business that was the subject of the 2016 Possible Disposal.

As the Company was able to secure the above-mentioned loan facility which alleviated the Group’s concerns at the time, and as a large part of the business that was the subject of the 2016 Possible Disposal was charged as security, it was decided that discussions relating to the 2016 Possible Disposal at that stage could be put to an end and the parties entered into a termination agreement on 6 January 2017 to terminate the 2016 Possible Disposal.

### **Working capital needs and reducing debt level**

Despite that the working capital needs of the Company were temporarily alleviated in 2016 and 2017, the Company had a net decrease of approximately RMB248.9 million in cash and cash equivalents from approximately RMB912.6 million as at 31 December 2016 to approximately RMB663.7 million as at 31 December 2017, and a further net decrease of approximately RMB155.7 million to approximately RMB508 million as at 30 June 2018. The decreases were primarily attributable to, among other things, repayment of bank and other borrowings and payment of interests.

Reference is made to the annual report 2018 of the Company published on 30 April 2019, the Group was in a negative net cash position of RMB12,889.3 million as at 31 December 2018, which included cash and cash equivalents of RMB754.6 million, bank and other borrowings of RMB11,067.3 million, convertible bonds of RMB1,679.2 million, bonds payable of RMB830.5 million and obligations under finance leases of RMB66.9 million.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has the following overdue debt on or before 30 June 2019:

Creditor	Amount	Due date
Convertible bonds issued by the Company	HK\$407,000,000	15 June 2019

With respect to the outstanding principal of the convertible bonds of HK\$868.4 million due on 15 June 2019 (the “**Fourth CB**”) with 21 bondholders (who are third parties independent of, and not connected with the Company), the Company has fully paid the last interest of HK\$17 million to all bondholders on the maturity date and repaid in full to 1 bondholder with principal amount of HK\$30 million up to the Latest Practicable Date.

The Company entered into settlement agreements and subscription agreements with 19 bondholders on 15 June 2019, and the Company agreed to repay partially to the 19 bondholders in aggregate for HK\$264.2 million (the “**Partial Repayment**”), and upon payment of the Partial Repayment, the 19 bondholders will agree to waive all their rights under the original terms and conditions in relation to the Fourth CB for the remainder of the principal amount and any interests payable by the Company, and will then proceed with the subscription of unlisted notes for the remainder of the aggregated unpaid principal amount, totaling HK\$564.2 million, which will be redeemed by the Company on 20 December 2019.

In summary, up to the Latest Practicable Date, in respect of the Fourth CB of HK\$868.4 million due on 15 June 2019, the Company has (a) made full repayment to 1 bondholder of HK\$30 million, (b) completed the Partial Repayment of HK\$214.2 million to 18 bondholders and successfully converted the outstanding Fourth CB to unlisted notes of HK\$214.2 million; (c) only made HK\$3 million out of the total agreed partial repayment of HK\$50 million to 1 bondholder (“**Unsettled Bondholder A**”) with total outstanding principal balance of HK\$397 million outstanding; and (d) been in negotiation with 1 bondholder (“**Unsettled Bondholder B**”) to agree the repayment of the outstanding principal balance of HK\$10 million prior to 4 July 2019.

In respect of items (c) and (d) above, the Company has (i) obtained oral consent from Unsettled Bondholder A that the Company will repay the shortfall of HK\$47 million in respect of the agreed amount of partial repayment prior to 15 July 2019 and then to proceed with the subscription of unlisted notes of HK\$350 million; and (ii) obtained oral consent from Unsettled Bondholder B for the full repayment of HK\$10 million prior to 4 July 2019, and therefore the Company is confident that the repayment of the outstanding amount of HK\$350 million due to Unsettled Bondholder A can be successfully extended to 20 December 2019 and no dispute will be resulted from Unsettled Bondholder B.

Save as disclosed above, the Company is in the process of seeking additional capital for the repayment of the above debts that are due on or before 30 June 2019. In the alternative, the Company will seek to negotiate with the relevant creditors to seek refinancing and/or extension of due dates of the relevant debts, if necessary.

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## LETTER FROM THE BOARD

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As disclosed in the sub-section headed “The Sale and Purchase Agreement – Consideration and payment” above, the Consideration RMB3,000 million, and the settlement methods of the which involve (i) cash payment from the Purchaser to the Vendor of a total amount of RMB1,945 million in cash; and (ii) the Purchaser assuming certain indebtedness owed by the Vendor to a third party lender. As such, the Company expects that the proceeds from the Disposal and the Consideration, together with the waiver by Peace Link of HK\$1,948 million under the Third CB as described in the section headed “Waiver of Third CB” above, will help, among other things, the improvement of its balance sheet position by reducing its debt level.

### **Basis of the Consideration**

As set out under the sub-section headed “Waiver of Third CB” in this Circular, on 24 March 2019, Peace Link has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link has agreed to, conditional upon completion of the Disposal and completion of the Previous Subscription both having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million under the Third CB for no consideration.

Whilst the Waiver of the Third CB no longer forms part of the Consideration under the Sale and Purchase Agreement, it is necessary to consider the Disposal as a whole, the benefits arising from the Disposal and all relevant terms, including the premium the Purchaser is paying above appraised market value of the Target Company. The Company’s view is that the repayment of the Third CB is not detachable to and cannot be achieved in isolation with the Disposal, and it is part and parcel of the Disposal. The total benefit to the Company arising from the Disposal and the waiver of the Third CB is therefore approximately RMB4,700 million as disclosed in this Circular, which is higher than the net asset value of the Disposal Group as at 30 June 2018 of approximately RMB4,183 million.

Furthermore, the Company considers that using the valuation conducted by the Valuer adopting the market approach as one of the basis of arriving at the Consideration is appropriate. The valuation results of the Disposal Group as at 30 June 2018 is RMB2,952 million.

In view of the above, the Directors are of the view that the total benefit derived from the Disposal (which include the Consideration of approximately RMB3,000 million and the waiver by Peace Link of HK\$1,948 million under the Third CB) is fair and reasonable and is in the interest of the Company and the Shareholders as a whole taking into account the valuation and net asset value of the Disposal Group of almost one year ago for the following reasons:

- (i) Based on the unaudited financial information of the Disposal Group as set out in the Appendix II of this Circular, the unaudited net asset value of the Disposal Group has decreased by approximately RMB82 million, or 2.0%, from approximately RMB4,183 million as at 30 June 2018 to approximately RMB4,101 million as at 31 December 2018, which is the latest unaudited net asset value of the Disposal Group available. Further, the valuation of the Target Interest conducted by the Valuer has decreased by approximately RMB65 million, or



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2.2%, from RMB2,952 million as at 30 June 2018 to RMB2,887 million as at 31 March 2019. As such, the Directors are of the view that there is no material difference in the latest valuation and net asset value compared to the valuation and net asset value of 30 June 2018 which materially affect the basis for determining the Consideration;

- (ii) the unfavorable prospect of the operation of the Disposal Group of the PRC;
- (iii) the incentive to reduce overall debt level of the Group;
- (iv) the Consideration of RMB3,000 million that the Group will receive represents a premium of RMB113 million based on the latest valuation of the Disposal Group of RMB2,887 million as at 31 March 2019. The latest valuation as at 31 March 2019 adopted the same assumptions and methodology as those as at 30 June 2018 as disclosed in Appendix V. The valuation is based on (a) the unaudited net asset value of the Disposal Group as at 31 December 2018 of approximately RMB4,101 million, and (b) the adjusted median price-to-book multiple of six comparable companies as at 31 March 2019 of 0.70, based on the same selection criteria as disclosed in Appendix V, representing companies engaging in provision of the manufacturing and sales of solar products conducted in the PRC. The adjusted median price-to-book multiple as of 31 March 2019 was 0.70; and
- (v) in addition to the Consideration of RMB3,000 million, the Company can also obtain a debt relief of HK\$1,948 million.

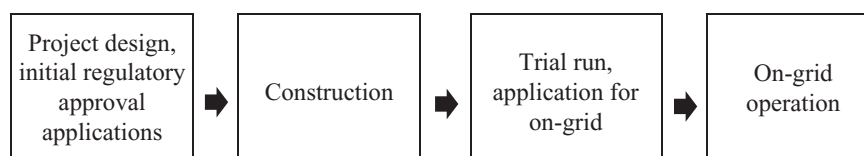
### Scope of Disposal

Despite that the Remaining Group's business (in particular, the PRC Power Generation Business) has been loss making since the year ended 31 December 2016, while the PRC Manufacturing Business only started to become loss making for the year ended 31 December 2018, the Company has considered following factors in determining the scope of the Disposal.

#### *Life cycle of solar power plants*

Construction of the Group's first solar power plant in the PRC commenced in 2013 and the Group commenced its PRC Power Generation Business in 2014. Prior to the Group's solar power plants becoming fully operational and income generating, there was a latent period during which the PRC Power Generation Business was not profitable.

Set out below is the life cycle of solar power plants of the Group:



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Based on the Group's track record, the time required from project design to commencement of trial run ranges from 6 months to 8 months. Trial run typically requires approximately 3 month to 6 months. Accordingly, a solar power plant will commence on-grid operation – and hence be able to generate income – after approximately 9 months to 14 months from the project design stage.

After years of dedication and significant capital investments, most of the Group's solar power plants in the PRC are now under on-grid operation and generating income for the Group. The life cycle above also explains why revenue attributable to the PRC Power Generation Business was very low in the early years and is now seeing substantial growth on a year-on-year basis as more number of the Group's solar power plants have, in recent years, become on-grid operational. The low level of revenue in the early years is not indicative of their performance but, rather, a reflection of the time required for the solar power plants to become on-grid operational.

Set out below is a list of the Group's solar power plant locations, their respective capacity and year in which they have or are expected to become grid-connected:

<b>Location</b>	<b>Capacity (MW)</b>	<b>Status</b>	<b>Year (expected year) of grid-connection</b>
Xinjiang	682.57	Grid-connected	2013-2016
Gansu	300.62	Grid-connected	2013-2015
Hebei	213.69	Grid-connected	2014-2019
Ningxia	109.95	Grid-connected	2013-2016
Yunnan	50.00	Grid-connected	2015
Zhejiang	31.67	Grid-connected	2014
Qinghai	30.39	Grid-connected	2011-2013
Jiangsu	30.34	Grid-connected	2014-2017
Shandong	25.71	Grid-connected	2014-2015
Hunan	14.95	Grid-connected	2014
Hunan	3.08	Pending grid-connection	(2019)
Tibet	9.75	Grid-connected	2013

### *Finance costs and high debt level of the PRC Power Generation Business*

Further, as explained above, the development of the business of the Group, in particular the construction of the solar power farms in the PRC, was extremely capital intensive. Despite a substantial growth on a year-on-year basis, one important factor that had hindered the Group's financial performance (including the financial performance of the PRC Manufacturing Business) has been the high level of finance costs (i.e. interest expenses) associated with its high debt level from the construction of the PRC solar power farms. The Group's financial performance suffers a vicious cycle of increasing financial costs as the Group continues to make losses due to such increasing financial costs and negated the growth brought by the PRC Power Generation Business. Upon Completion, the debt of the Group will be reduced by approximately RMB8,191 million.

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## LETTER FROM THE BOARD

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### *Unfavourable prospect of the PRC Manufacturing Business*

In contrast, despite that the PRC Manufacturing Business only started to become loss making for the year ended 31 December 2018, the global market for the solar cells, modules and panel has been very vulnerable to factors such as policies in recent years. The Group's PRC Manufacturing Business is also increasingly subject to anti-dumping tariffs and other trade restrictions imposed by the United States as well as the change in government policies in the PRC regarding the reduction in subsidies by the PRC government in respect of the PRC Manufacturing Business in May 2018, which have reduced the Group's pricing advantage significantly in particular during the second half of year 2018. The average unit price of a multicrystalline module has also continued to drop during the first 9-month period in 2018. As disclosed in the 2017 annual report of the Company, the market of the Group's manufacturing and sales of solar products business is highly competitive in terms of price, quality and brand awareness. The pricing of similar products by competitors may adversely affect the pricing of the products and could result in keen competition in price, lower business revenue and profitability level or the Group suffering from loss of market share. There is also a trend that the profit margin of the PRC Manufacturing Business is becoming very thin due to volatility of the market. In addition, developing and maintaining the PRC Manufacturing Business requires intensive capital investment, which is not conducive to the Company's financial performance. Given the uncertainties and risks in respect of the prospect of the Group's PRC Manufacturing Business, the Group plans to focus its business on the investment and operation of solar power plants, allowing the Group to reduce its upstream manufacturing business and focus on and deploy resources for its downstream clean energy business.

### *Performance of the Overseas Business*

Furthermore, the Overseas Business is proposed to be disposed of by the Company as the performance and progress of the Overseas Business have not met the expectations of the Company. In particular, the management costs of the Overseas Business in Europe were relatively high and disproportional. The Overseas Business also recorded a net loss in respect of the Overseas Business for the three years ended 31 December 2018. In addition, the Overseas Business was previously championed by certain management member of the Company who resigned from the Group. Given that the non-performance of the Overseas Business continues to affect the financial performance of the Group and also the reasons stated above, the Company is of the view that simultaneous disposal of the Overseas Business together with the PRC Manufacturing Business will help the Company focus on developing its downstream clean energy business in the PRC.

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## LETTER FROM THE BOARD

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### **The Group's strategy after the Disposal**

After the Disposal, the Remaining Group will continue to own solar power generation business in the PRC and the LED Business. The Group's strategy after the Disposal is:

- (a) to continue to operate solar power generation business in the PRC, which includes
  - (i) managing the existing solar power plants (both currently on-grid and those to become on-grid after construction) to derive revenue from electricity power generation; and
  - (ii) the development and construction of new solar power plants projects; and
- (b) to continue to operate the LED Business.

It is expected that the Disposal will streamline the Group's existing business segments and operations, provide investors with greater clarity on the Group's business model, risk and return profile and growth prospects, and sharpen management's strategic focus on the Group's PRC Power Generation Business and LED Business.

Based on the above, the Directors (excluding Mr. Lu Bin, a Director who is the brother-in-law of Mr. Cheng) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are made on an arm's length basis and on normal commercial terms that are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

From accounting prospective, assuming the Disposal had taken place on 31 December 2018, the Group would recognise a loss on disposal of RMB1,234.1 million in profit or loss, representing the shortfall of fair value of the net assets disposed under their carrying amounts as at 31 December 2018, and the Group would also credit RMB62.1 million to special reserve in equity, representing the excess of the fair value of Consideration over the fair value of net assets disposed, which was considered as a deemed capital contribution made by owner of the Company, since the Purchaser is wholly owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

In addition, the waiver by Peace Link of HK\$1,948 million under the Third CB as described in the section headed "Waiver of Third CB" would result in a decrease of RMB556 million in the Group's liabilities and a transfer of RMB820.7 million from the Group's convertible bonds equity reserve to special reserve in equity.

Accordingly, taken into account the above factors, the overall financial impact arising from the Disposal would result in the recognition of a loss of RMB1,157.9 million charged to profit or loss, an increase in special reserve of RMB1,362.2 million and a decrease in convertible bonds equity reserve of RMB820.7 million. The Group's total equity as at 31 December 2018, in aggregate, would be decreased by RMB616.4 million, accordingly.

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The financial impact arising from the Disposal disclosed above is assessed by the directors of the Company and is calculated based on (i) the Group's audited financial statements as at 31 December 2018, (ii) the fair value of net assets disposed of, which is determined with reference to the valuation reports prepared by an independent professional valuer not connected to the Group and (iii) the fair value of Consideration as at 31 December 2018, which is presented solely for illustrative purpose only and is subject to change upon actual Completion.

### **Earnings**

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, for illustration purpose only, assuming the Disposal had been completed on 1 January 2018, the loss attributable to the owners of the Company for the year ended 31 December 2018 would have increased by approximately RMB593 million from approximately RMB1,707 million to approximately RMB2,300 million.

### **Assets**

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, for illustration purpose only, assuming the Disposal had been completed on 31 December 2018, the total assets as at 31 December 2018 would have decreased by approximately RMB9,287 million from approximately RMB25,404 million to RMB16,117 million.

### **Liabilities**

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, for illustration purpose only, assuming the Disposal had been completed on 31 December 2018, the total liabilities as at 31 December 2018 would have decreased by approximately RMB8,191 million from approximately RMB21,757 million to RMB13,566 million.

For details of the financial effects of the Disposal, please refer to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular. The financial effects of the Disposal disclosed above is assessed by the directors of the Company which is presented solely for illustrative purpose only and is subject to change upon actual Completion.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS

The Company intends to use the net proceeds from the Disposal (after deducting relevant costs and expenses) as follows:

- (a) RMB200 million of the Consideration will be used as working capital of the Group (which will not be used to repay the outstanding amount of the Third CB);
- (b) RMB1,745 million (namely, the Second Payment) will be used to repay the Relevant Payables, which are debts borrowed by the PRC Power Generation Business for the purposes of constructing solar power plants, repaying existing loans and interests and supplementing working capital; and
- (c) HK\$1,200 million of the Consideration will be satisfied through the Purchaser taking assignment of a loan in the same amount lent to the Company by Sino Alliance to the Purchaser.

### Reasons for repaying the Relevant Payables with the Second Payment

The transaction is structured such that the inter-company balances owed between the Remaining Group and the Disposal Group are repaid so as to achieve delineation and independence.

As disclosed in the “Repayment of the Relevant Payables” section in the Letter from the Board of the Circular, the relevant amounts owed by the Group’s wholly-owned subsidiary, Shunfeng Photovoltaic China and payable to the Disposal Group as at 28 February 2019 amount to approximately RMB1,862 million (the “**Relevant Payables**”). The Second Payment will be applied to repay the Relevant Payables no later than six months after Completion.

In relation to the deferred receipt arrangement for the Second Payment, the Company understands that it is common for such Relevant Payables to be settled at or before Completion. However, the Company is not expected to have sufficient cash to make such repayment without borrowing further debts. Given the current financial position of the Company, the Company also expects that it would be very difficult to identify financial institution(s) that will be willing to provide such a substantial amount of loans to the Company. Even if such further loan(s) can be secured, the loan(s) will incur substantial additional interest expenses given that the amount involved is approximately RMB1,862 million. The Company respectfully submits that the incurring of such additional interest expenses would not necessarily be in the interests of the Company in the circumstances. The arrangement involving first receiving the purchase price from the Purchaser before repayment of the Relevant Payables – as opposed to the Company having to repay such the Relevant Payables before Completion – is a concession made by the Purchaser. As a quid-pro-quo, the Company has agreed to the payment date to be 3 months after the Completion Date.

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## LETTER FROM THE BOARD

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As the matter is circular, if the Purchaser does not pay such portion of the Consideration, the Company would not repay the receivables in the amount of approximately RMB1,862 million to the Disposal Group, the Company believes that it is not unreasonable.

In view of the above, the directors are of the view that the terms of the Disposal, including the deferred receipt arrangement, are fair and reasonable and are in the interests of the Company and its shareholders.

The Group has considered safeguards for the payment from a commercial perspective and the Purchaser are contractually bound to make payment according to the terms of the Sale and Purchase Agreement. Remedies are available to the Company in the event of non-payment by the Purchaser under the relevant PRC law including applying to the court for an order for payment by the defaulting party.

Furthermore, the Company will utilize the Second Payment to repay the Relevant Payables owed by Shunfeng Photovoltaic China and payable to the Disposal Group. According the terms of the Sale and Purchase Agreement, if the Company fails to receive the Second Payment from the Purchaser, the Company will not be under an obligation to repay the Relevant Payables owed to the Disposal Group within the time frame stipulated in the Sale and Purchase Agreement. Therefore, the financial position of the Company will not be adversely affected by any delay or non-payment of the Second Payment. As such, the Directors believe that no additional safeguard is necessary for the payment.

### FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following Completion, the Group will remain to focus its current business and develop the Group into a global leading clean energy provider. Specifically, to the Company will focus on (i) in the solar power businesses including the development and management of solar power plants and manufacturing related equipment; and (ii) LED manufacturing and sales business.

Whilst the Company intends to focus on the above business, reference is made to the voluntary announcement of the Company dated 25 April 2019 in relation to the possible disposal of certain power plants of the Company. For the purpose of optimizing the shareholding and asset structure of the Group, the Company is currently in preliminary discussions with certain potential investors in respect of the possible disposal of certain solar power plants located in the PRC with an aggregate capacity of approximately 300 MW. The Group intends to sell either partly, wholly or in such proportion as to be negotiated and agreed, of such solar power plants to one or more investors (the “**Possible Disposals**”), and the consideration of the Possible Disposals are to be negotiated by parties to the transaction with reference to a reasonable market price. The Group is also actively considering, either as part of or separate from the Possible Disposals, to raise funds for the Group by other ways, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate (together with the Possible Disposals, the “**Proposed Plans**”). Once the Proposed Plans are fully or partly implemented, it is expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long term strategic development. The Proposed Plans are still in

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preliminary stages, therefore all or part of the Proposed Plans may or may not proceed. Any Proposed Plan will be subject to compliance with the Listing Rules and, if applicable, the approval of the Stock Exchange.

### **RISK MANAGEMENT OF THE REMAINING GROUP**

The Remaining Group is exposed to various types of risks, including currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

#### **Currency risk**

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB. However, certain transactions of the principal subsidiaries including sales of goods and purchases of machinery and equipment are denominated in foreign currencies.

The Remaining Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

#### **Interest rate risk**

The Remaining Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank deposits, bank and other borrowings, liability component of convertible bonds and bond payables. The Remaining Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits, bank balances, obligations under finance leases and bank and other borrowings. The Directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

#### **Other price risk**

##### *Assets at fair value through profit or loss*

The Remaining Group is exposed to equity price risk through its investments in unlisted managed investment funds measured at fair value through profit or loss. The fair value adjustment in unlisted managed investment funds will be affected either positively or negatively, amongst others, by the changes in the expected yield of the investments. No sensitivity analysis of other price risk in respect of unlisted managed investment fund has been prepared as the management estimates the actual yield would not significantly deviate from the expected yield.



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## LETTER FROM THE BOARD

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### *Warrants liabilities arising from the acquisition of Lattice Power*

The Remaining Group is required to estimate the fair values of the warrants liabilities arising from the acquisition of Lattice Power at the end of each reporting period, which therefore exposes the Remaining Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate and volatility.

### **Credit risk**

As at the Latest Practicable Date, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Remaining Group's maximum exposure to credit risk which will cause a financial loss to the Group include (i) issuing banks fail to settle the bills transferred to collecting banks or suppliers through discounting the bills to collecting banks or endorsing the bills to suppliers with full recourse and (ii) the amount of contingent liability in relation to financial guarantee issued by the Remaining Group.

### **Liquidity risk**

Liquidity risk is the risk that the Remaining Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Remaining Group will continually monitor cash flows and maintain an adequate level of cash and credit facilities to ensure that the Remaining Group can meet its finance needs.

## **INFORMATION ON THE DISPOSAL GROUP**

### **Information on the Target Company**

The Target Company is a company established under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Company, which operates the following businesses of the Group:

- (i) the upstream PRC Manufacturing Business, being the power module manufacturing business which primarily consists of solar cells, modules and panel manufacturing in the PRC operated via a number of operating subsidiaries of the Target Company; and
- (ii) the Overseas Business, which primarily consists of the following:
  - (a) the Overseas Plants business, being the construction, operations and sale of solar power plants in Europe and Japan; and
  - (b) the Plant Management business, being the power plant management and energy solution services that are primarily provided via Solarstorm AG, a German headquartered subsidiary of the Target Company.

## LETTER FROM THE BOARD

Other than the assets of the PRC Manufacturing Business currently held by a wholly owned subsidiary of the Vendor (namely, Jiangsu Shunfeng Electricity) which shall be transferred to the Disposal Group as part of the pre-completion internal reorganization steps as disclosed in the sub-section headed “The Sale and Purchase Agreement – Pre-completion internal reorganization steps” above, the Disposal Group does not hold any part of the Remaining Group’s business.

Further details of the Target Company and the principal subsidiaries and joint venture of the Target Company are set out as follows:

No.	Name	Principal businesses	Production capacity/ installed capacity as at the Latest Practicable Date	Principal place of business	Equity interest held by the Group
1.	Target Company	Production and sales of solar cells	Solar cells: 1.2GW	Wujin, Changzhou, Jiangsu Province, PRC	100%
2.	Wuxi Suntech	Production and sales of solar cells and modules	Solar cells: 1.8GW Solar modules: 3.0GW	Xinwu District, Wuxi, Jiangsu, Province, PRC	100%
3.	Suntech Power Japan Power Corporation	Sales of solar modules and systems	N/A	Tokyo, Japan	100%
4.	Luoyang Suntech Solar Power Co., Ltd.* (洛陽尚德太陽能電力有限公司)	Production and sales of solar cells, PV systems installation	Solar cells: 400MW	Luoyang, Henan Province, PRC	100%
5.	Jiangsu Shunfeng New Energy Technology Co., Ltd.* (江蘇順風新能源科技有限公司) <i>Note: This is a joint venture of the Group.</i>	Production and sales of solar cells	Solar cells: 1.5GW	Wujin, Changzhou, Jiangsu Province, PRC	51%
6.	meteocontrol GmbH	Solar power plant monitoring services	N/A	Augsburg, Germany	100%
7.	J Energy Power L.P.	Operation of solar power plants	Installed capacity of solar power plants: 19MW	Tenzan, Japan, Shirakanezaka, Japan, Muroran, Japan and Kumagaya, Japan	100%
8.	SF SolPower AG	Operation of solar power plants	Installed capacity of solar power plants: 8.34MW	Germany, Switzerland and Czech Republic	100%
9.	Changzhou Shunfeng Photovoltaic Materials Co., Ltd.* (常州順風光電材料有限公司)	Production and sales of solar wafers (production and operation have ceased to continue)	Solar wafers: 500MW	Wujin, Changzhou, Jiangsu Province, PRC	100%

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## LETTER FROM THE BOARD

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### Financial information on the Disposal Group

Based on the unaudited consolidated financial statements of the Disposal Group as set out in Appendix II to this circular, the financial information of the Disposal Group for the three years ended 31 December 2018 is as follows:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
			<i>note</i>
Net profit/(loss) before taxation	132,759	421,943	(473,149)
Net profit/(loss) after taxation	152,870	356,184	(596,518)

*Note:* During the year ended 31 December 2018, due to adverse changes in market conditions, including the release of the new governmental policy, the management of the Disposal Group reviews the recoverable amounts of the relevant CGUs (which is the higher of its value-in-use and its fair value less costs of disposal) to determine whether there is any impairment loss. As a result, the goodwill of RMB6,237,000 was fully impaired during the year ended 31 December 2018, accordingly.

As at 31 December 2018, due to the adverse change of market conditions, in the opinion of the Directors of the Company, the recoverable amount of the machinery and equipment in respect of the Disposal Group's manufacturing and sales of Solar Products business is estimated to be less than its carrying amount, and the carrying amount of the relevant machinery and equipment are reduced to the extent of its recoverable amount, with an impairment loss of RMB758,037,000 recognised, accordingly.

Based on the unaudited financial information of the Disposal Group as set out in Appendix II to this circular, the unaudited net asset value and the unaudited total asset value of the Disposal Group as at 31 December 2018 was approximately RMB4,101 million and RMB10,725 million, respectively.

As at the Latest Practicable Date, the entire equity interest in the Target Company was held by the Vendor. Upon Completion, each entity of the Disposal Group will cease to be a subsidiary of the Company and the financial positions and results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Company has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Company is continuing to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.

#### Information on the Remaining Group

The Remaining Business immediately after the Disposal comprises (i) the PRC Power Generation Business and (ii) the LED Business.

##### *PRC Power Generation Business*

The PRC Power Generation Business comprises the operation of solar power plants in the PRC. Construction of the Group's first solar power plant in the PRC commenced in 2013. As at the Latest Practicable Date, the Group operated 58 solar power plants in the PRC situated in 11 different provinces or autonomous regions. As at the Latest Practicable Date, the primary source of income of the PRC Power Generation Business was the revenue, tariff and government subsidies received for electricity generated by such solar power plants.

Based on information of the Group, as at 31 December 2018, the Group's on-grid solar power plants in the PRC account for approximately 0.92% of the total on-grid solar power plants in the PRC in terms of installed capacity.

Sets out below is a list of the locations, capacities, status and occupied area of the solar power plants of the Group as at the date of this letter.

<b>Location</b>	<b>Capacity (MW)</b>	<b>Status</b>
Xinjiang	682.57	Grid-connected
Gansu	300.62	Grid-connected
Hebei	213.69	Grid-connected
Ningxia	109.95	Grid-connected
Yunnan	50.00	Grid-connected
Zhejiang	31.67	Grid-connected
Qinghai	30.39	Grid-connected
Jiangsu	30.34	Grid-connected
Shandong	25.71	Grid-connected
Hunan	14.95	Grid-connected
Hunan	3.08	Pending grid-connection
Tibet	9.75	Grid-connected

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## LETTER FROM THE BOARD

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The solar power plants of the Group in the Remaining Business are situated in multiple parts of China. The aggregate capacity of all of the solar power plants comes to a total of 1.5 GW.

Set out below are the total assets value, revenue and net profit/(loss) attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2018 extracted from unaudited pro forma financial statements of the Remaining Group:

	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2018</b>
Total assets (RMB'000)	16,844,951	15,372,811	14,911,060
Revenue (RMB'000)	1,111,354	1,214,445	1,310,109
Net profit/(loss) attributable to the Group (RMB'000)	(571,480)	(281,584)	(158,548)

Set out below are the total assets value, revenue and net profit/(loss) attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2018 as a percentage of the Group's total assets value, revenue and net profit/(loss) for the three years ended 31 December 2018 calculated based on information extracted from unaudited pro forma financial statements of the Remaining Group and the Disposal Group:

	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2018</b>
Total assets	60.13%	60.70%	58.70%
Revenue	13.43%	12.12%	12.73%
Net profit/(loss) attributable to the Group	23.82% (note)	33.76% (note)	9.29% (note)

*Note: the percentage figures represent the net loss attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2016, 2017 and 2018 of approximately RMB571,480,000, RMB281,584,000 and RMB158,548,000, respectively, divided by the Group's total net loss for the three years ended 31 December 2016, 2017 and 2018 of approximately RMB2,399,395,000, RMB834,136,000 and RMB1,706,720,000, respectively.*

For further details on the financial information of the Remaining Group, please refer to Appendix III and Appendix IV to this circular.

*Business model:*

Under the current operation model of the Group's PRC Power Generation Business, the Company would raise funds to construct solar power plants in the PRC, following which the Company would sell the electricity generated by the solar power plants to branches of the State Grid. This also allows the Company to obtain on-grid electricity fees and additional

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## LETTER FROM THE BOARD

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power generation subsidies provided by the government. The power generation subsidies are provided to the Group by the PRC government in order to support the more environmentally friendly solar power generation. The standard for subsidies is formulated and published by the relevant government departments according to the time needed to construct the solar power plants, and would normally remain unchanged for the 20 years following the completion of the solar power plants.

The electricity generated by the PRC Power Generation Business is directly sold mainly to the branches of the State Grid located in the project areas. The State Grid and its branches are under the obligation to make mandatory acquisitions in accordance with the relevant Renewable Energy Law in the PRC. The major customers of the PRC Power Generation Business are the branches of the State Grid in various provinces, including the State Grid Xinjiang Branch, the State Grid Hebei Branch and the State Grid Gansu Branch, etc.. The Group does not need to purchase raw materials except when certain equipment or parts need to be replaced due to malfunctioning.

As at the Latest Practicable Date, the Company currently has no other pipeline project in the PRC and had not signed any agreements in relation to the sale of power generation units of the Remaining Business.

### *Information on customers:*

For the three years ended 31 December 2016, 2017 and 2018, the total number of customers in respect of the Group's PRC Power Generation Business was 48, 45 and 44 respectively. Typically, each solar power plant of the Group will have one customer (i.e. the relevant branch of the State Grid) which will acquire electricity generated thereby.

Under the Group's PRC Power Generation Business, as at the Latest Practicable Date, members of the Group have entered into power sales agreements in 58 projects with a term ranging from two to six years, involving a total of 1,500MW of installed capacity with the relevant branches of the State Grid.

### *Information on suppliers:*

For the three years ended 31 December 2016, 2017 and 2018, the total number of suppliers in relation to the PRC Power Generation Business was 15, 7 and 12, respectively. Further, for the three years ended 31 December 2016, 2017 and 2018, the total supplier purchase amount of the PRC Power Generation Business was RMB1,682.4 million, RMB174.3 million and RMB130.4 million respectively. The relatively higher purchase amount in 2016 was mainly due to higher number of solar power plant projects under construction, which resulted in the higher costs incurred for the construction of such power plants. As construction of the power plants gradually completed, the Company's purchase amount decreased year by year since 2016.

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## LETTER FROM THE BOARD

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### *The LED Business*

The Group operates an LED manufacturing business, an energy efficient lighting device, which is operated via Lattice Power, an indirect non wholly-owned subsidiary of the Group. Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for the use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries.

Set out below are the total assets value, revenue and net profit attributable to the Group of the LED Business for the three years ended 31 December 2018 extracted from unaudited pro forma financial statements of the Remaining Group:

	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2018</b>
Total assets ( <i>RMB '000</i> )	625,804	683,912	684,502
Revenue ( <i>RMB '000</i> )	279,974	320,018	334,521
Net profit attributable to the Group ( <i>RMB '000</i> )	341,757	43,653	28,246

For further details on the financial information of the Remaining Group, please refer to Appendix III and Appendix IV to this circular.

### Business model:

The operation model of the LED Business involves research and development, production and sales of LED products to downstream market, which are mainly used in lighting, mobile phone flash lights, UV rays sterilisations and other fields. The Group operates its LED Business via Lattice Power, an indirect non wholly-owned subsidiary of the Group. The major customers of the LED Business include Xiaomi Communications Co., Ltd. (小米通訊技術有限公司), Jiangxi Jingzhong Teng Optoelectronics Co., Ltd.\* (江西晶眾騰光電有限公司), and Shenzhen Hanhua Photovaltics Co., Ltd.\* (深圳漢華光電子有限公司). No distributors are involved in the LED Business. The main suppliers include Sino-Platinum Metals Co., Ltd. (貴研鎢業股份有限公司), Guangyang Chemical Applied Materials Technology (Kunshan) Co., Ltd.\* (光洋化學應用材料科技(昆山)有限公司) and Dongguan Sino Semiconductor Co., Ltd.\* (東莞市中圖半導體科技有限公司). The Company directly sells to downstream customers and the majority of customers have maintained long-term cooperation with the Company.

### Information on customers:

For the three years ended 31 December 2016, 2017 and 2018, the total number of customers in respect of the Group's LED Business was 865, 500 and 708 respectively. Further, at each of the three years ended 31 December 2016, 2017 and 2018, the total sales

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## LETTER FROM THE BOARD

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of the Group's PRC Power Generation Business was RMB995 million, RMB1.21 billion and RMB1.31 billion respectively, while the total sales of the LED Business was RMB280 million, RMB320 million and RMB335 million respectively.

Information on suppliers:

For the three years ended 31 December 2016, 2017 and 2018, the total number of suppliers in relation to the LED Business was 409, 466 and 450 respectively. Further, for the three years ended 31 December 2016, 2017 and 2018, the total supplier purchase amount of the LED Business was RMB206.5 million, RMB236.5 million and RMB207.8 million, respectively.

Scale of operation of the Remaining Business

As set out above, the revenue generated from the Remaining Group for the year ended 31 December 2018 was approximately RMB1,645 million. The solar power plants of the Group in the Remaining Group are situated in multiple parts of China. As at the Latest Practicable Date, the aggregate capacity of all of the solar power plants comes to a total of 1.5 GW. The Remaining Group employs approximately 1,032 staff.

### INFORMATION ON THE VENDOR

The Vendor is a company incorporated under the laws of Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

Apart from the Disposal Group, the Vendor holds the entire equity interest of Shunfeng Photovoltaic China, which is the holding company of the entire PRC Power Generation Business.

### INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the BVI with limited liability. The Purchaser is principally engaged in investment holding.

As at the Latest Practicable Date, the Purchaser was held as to 100% by Mr. Cheng, a substantial shareholder of the Company holding approximately 29.98% of the total issued shares of the Company. The Purchaser is therefore an associate of Mr. Cheng and a connected person of the Company.



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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is held as to 100% by Mr. Cheng, a substantial shareholder of the Company, and is therefore a connected person of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute 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.

As Mr. Cheng is interested in the Sale and Purchase Agreement and the transactions contemplated thereunder, Mr. Lu Bin, a Director who is the brother-in-law of Mr. Cheng, has abstained from voting on the relevant Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder.

In this connection, Platinum has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder.

### EGM

An EGM will be convened and held at Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 28 August 2019 at 11 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction must abstain from voting on the relevant resolution at the EGM. As disclosed in the section headed "Information on the Purchaser" above, the Purchaser is held as to 100% by Mr. Cheng, a substantial shareholder of the Company, and is therefore a connected person of the Company. Mr. Cheng and his associates are

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## LETTER FROM THE BOARD

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considered to have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, Mr. Cheng and his associates will be required to abstain from voting on the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Save for Mr. Cheng and his associates, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore, no other Shareholder is required to abstain from voting at the EGM for the relevant resolution.

A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://sfcegroup.com>). Whether or not you intend 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 branch share registrar of the Company 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 but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof should you so wish.

### RECOMMENDATION

The Directors are of the view that while the Sale and Purchase Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that while the Sale and Purchase Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 42 to 43 of this circular, containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 44 to 84 of this circular, containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and (iii) the additional information set out in the appendices to this circular. The Independent Shareholders are advised to read the aforesaid letters and appendices before deciding as to how to vote on the resolutions approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

### GENERAL

**Shareholders and potential investors should note that the Disposal is subject to certain Conditions and may or may not materialise. There is no assurance that the Disposal will proceed.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).**

By order of the Board  
**Shunfeng International Clean Energy Limited**  
**Zhang Fubo**  
*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)

30 June 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL  
(2) CONNECTED TRANSACTION**

We refer to the circular of the Company dated 30 June 2019 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular. Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the “Letter from the Board” set out on pages 7 to 41 of the Circular, (ii) the “Letter from the Independent Financial Adviser” set out on pages 44 to 84 of the Circular and (iii) the additional information set out in the appendices to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that while the Sale and Purchase Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

<b>Mr. Tao Wenquan</b>	<b>Mr. Zhao Yuwen</b>	<b>Mr. Kwong Wai Sun Wilson</b>
<i>Independent non-executive</i>	<i>Independent non-executive</i>	<i>Independent non-executive</i>
<i>Directors</i>	<i>Directors</i>	<i>Directors</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*



**PLATINUM** Securities Company Limited

21/F LHT Tower  
31 Queen's Road Central  
Hong Kong

Telephone (852) 2841 7000  
Facsimile (852) 2522 2700  
Website [www.platinum-asia.com](http://www.platinum-asia.com)

30 June 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **(1) VERY SUBSTANTIAL DISPOSAL AND (2) CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Details of the Disposal are contained in the letter from the Board as set out in the circular of the Company dated 30 June 2019 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 December 2018 (after trading hours), the Vendor (a direct wholly owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Target Interest, representing 100% of the equity interests in the Target Company, at an aggregate Consideration of approximately RMB3,000 million. Together with the waiver by Peace Link of HK\$1,948 million under the Third CB as described in the section headed “Waiver of Third CB” below, the total benefit to the Company arising from the Disposal and the waiver of the Third CB is RMB4,700 million.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Purchaser is held as to 100% by Mr. Cheng, a substantial shareholder of the Company, and is therefore a connected person of the Company. The Sale and Purchase Agreement and the transactions contemplated thereunder therefore also constitute 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.

### BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and whether the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to give independent advice to the Independent Board Committee and Independent Shareholders as to whether the Independent Shareholders should vote in favour of the Disposal.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinion expressed to us by the Directors and/or management of the Company. We have reviewed, among other things:

- i) the announcement of the Company dated 27 September 2018 in relation to the memorandum of understanding and the possible Disposal;
- ii) the announcement of the Company dated 25 March 2019 in relation to the Disposal (the "**Announcement**");
- iii) the Share Purchase Agreement;
- iv) the annual reports of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**") and 31 December 2018 (the "**2018 Annual Report**");
- v) the unaudited consolidated management accounts of the Disposal Group for the year ended 31 December 2017 (the "**2017 Consolidated Management Accounts of the Disposal Group**") and for the year ended 31 December 2018 (the "**2018 Consolidated Management Accounts of the Disposal Group**");
- vi) the valuation report of the Target as of 31 March 2019 (the "**Valuation Report**") prepared by AVISTA Valuation Advisory Limited (the "**Valuer**");
- vii) other publicly available information related to the Company including regulatory filings where available.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information and facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach our opinion and advice as set out in this letter.

During the past two years, Platinum Securities Company Limited had no past engagement with the Company. As at the Latest Practicable Date, we were independent from, and were not connected or associated with the Company or the Purchaser or any other party to the Disposal, or their respective substantial Shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Disposal. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Disposal or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson, has been established to advise the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and whether the terms of the Disposal contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Disposal, we have taken into account the following principal factors and reasons:

#### **I. Background information on the parties**

##### ***1. Information on the Group***

The Group is a fully integrated photovoltaic service provider engaging in solar power stations constructions and operations, solar products manufacturing as well as solar energy storage. Currently, the Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Group will continue to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.



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### 1.1 Financial performance of the Group

Set out below are highlights of certain financial information on the Group as extracted from the audited consolidated statement of comprehensive income for each of the three years ended 31 December 2016 (“FY2016”), 31 December 2017 (“FY2017”) and 31 December 2018 (“FY2018”):

	FY2018		FY2017		FY2016	
	<i>% of the revenue</i>	<i>RMB'000 (audited) Amount</i>	<i>% of the revenue</i>	<i>RMB'000 (audited) Amount</i>	<i>% of the revenue</i>	<i>RMB'000 (audited) Amount</i>
Revenue	100%	10,290,635	100%	10,017,432	100%	8,276,499
<i>Segment Revenue</i>						
– Sales of goods (comprising solar products and LED products)	83.8%	8,620,347	84.8%	8,494,987	85.7%	7,091,849
– Service income from plant operation and services	1.3%	136,980	1.3%	127,457	1.3%	110,026
– Installation services of PV Systems	1.4%	149,052	0.7%	74,251	-	-
– Sales of electricity (solar power generation)	13.5%	1,384,256	13.2%	1,320,737	13.0%	1,074,624
Gross profit		1,848,983		1,577,080		1,502,056
Other income		220,206		235,851		151,909
Other gains and losses and other expenses		(887,990)		62,327		(1,717,570)
Impairment losses, net of reversal		(154,043)		(129,539)		-
Distribution and selling expenses		(595,322)		(341,943)		(377,036)
Administrative expenses		(610,145)		(613,542)		(664,949)
Research and development expenditure		(144,151)		(138,434)		(177,645)
Share of gains (losses) of associates		9,239		(4,185)		(6,473)
Share of gains (losses) of joint ventures		21,194		8,044		(82,575)
Finance costs		(1,285,923)		(1,423,292)		(1,031,825)
Loss for the year		(1,706,720)		(834,136)		(2,399,395)

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As can be seen from the above, we understand that the revenues of the Group were substantially derived by its sales of solar products. As disclosed in the 2018 Annual Report, the total revenue recorded an increase of approximately 2.7% from approximately RMB10,017.4 million for FY2017 to approximately RMB10,290.6 million for FY2018. We note that the steady growth in revenue was evenly attributed to four business segments. During FY2018, we understand from the Company that the Group continued to optimise solar products manufacturing operation of its subsidiaries in China, and sought the strong market growth opportunities, particularly in China. The Group achieved a 2.3% growth in revenue for the sale of Solar Products and the installation services of PV Systems to external third parties, which amounted to RMB8,434.9 million. The Group maintained the total scale of on-grid solar power plants and continued to maximise solar power generation in spite of the restriction on limiting the use of electricity in the north-west regions throughout FY2018. The revenue from the solar power generation reached RMB1,384.3 million during the FY2018, representing an increase of 4.8% as compared to RMB1,320.7 million in FY2017. The Group also recorded revenues of RMB137.0 million and RMB334.5 million in FY2018 in its other two segments of plant operation and services, and manufacturing and sales of LED products, respectively. The Group recorded a steady growth in both segments, representing an increase of 7.5% as compared to the revenue of RMB127.5 million in plant operation and service in FY2017 and an increase of 4.5% as compared to the revenue of RMB320.0 million in manufacturing and sales of LED products in FY2017, respectively. However, the Group recorded a loss of approximately RMB1,707.0 million for FY2018, as compared to the loss of approximately RMB834.1 million for FY2017, which is mainly attributable to (i) the competition in the solar product market continued to be intense, which resulted in a decrease of approximately 12.6% in the annual average selling price of the Group's solar products for FY2018 as compare to FY2017, (ii) the distribution and selling expenses of the Group is expected to increase from approximately RMB341.9 million for FY2017 to approximately RMB595.3 million for FY2018, and (iii) the Group has recognised a reversal of deferred income tax assets, as the deduction is expected to be unable to be realized from one of its wholly-owned subsidiary, of approximately RMB74.2 million in FY2018, which led to an increase of approximately RMB74.2 million in the income tax expense for FY2018, while there was no such income tax expense arising in the FY2017. In addition, it should be noted that the finance cost of the Group was as high as approximately RMB1,285.9 million for FY2018 which we consider it is the key factor resulting in a significant loss of the Group.

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### 1.2 Financial position of the Group

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2018, 31 December 2017 and 31 December 2016 as extracted from the 2017 Annual Report and 2018 Annual Report, respectively:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	2,113,165	2,831,529	3,028,112
Solar power plants	11,558,554	12,226,635	12,836,210
Prepaid lease payments	445,105	423,800	467,067
Goodwill	–	6,237	6,237
Intangible assets	35,861	40,636	46,357
Interests in associates	151,824	140,377	153,774
Interests in joint ventures	197,976	13,908	5,864
Available-for-sale investments	–	3,096	88,916
Financial assets at fair value through profit or loss (FVTPL)	3,096	–	–
Other non-current asset	877,920	997,950	1,901,679
Deferred tax assets	93,902	213,608	261,010
Value-added tax recoverable	550,535	720,000	–
Contract assets – non-current	206,781	–	–
	<u>16,234,719</u>	<u>17,617,776</u>	<u>18,795,226</u>
<b>Current assets</b>			
Inventories	1,065,043	792,630	646,213
Trade and other receivables	3,873,761	3,508,054	3,698,219
Contract assets	38,294	–	–
Receivables at FVTOCI	244,100	–	–
Prepaid lease payments	17,477	15,701	16,871
Value-added tax recoverable	307,266	315,155	1,212,312
Tax recoverable	5,990	3,544	–
Prepayments to suppliers	813,457	815,172	554,794
Amounts due from associates	160	5,744	19,953
Amount due from a joint venture	9,261	762	652
Available-for-sale investments	–	111,337	–
Restricted bank deposits	2,039,632	1,476,381	2,156,556
Bank balances and cash	754,586	663,686	912,611
	<u>9,169,027</u>	<u>7,708,166</u>	<u>9,218,181</u>
<b>Total assets</b>	<b><u>25,403,746</u></b>	<b><u>25,325,942</u></b>	<b><u>28,013,407</u></b>

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	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Current liabilities</b>			
Trade and other payables	6,507,258	5,080,326	5,740,695
Contract liabilities	331,696	–	–
Customers' deposits received	–	178,184	167,319
Amount due to an associate	48,286	–	–
Amount due to a joint venture	127,374	32,426	10,275
Obligations under finance leases	38,943	45,195	41,597
Provisions	1,019,489	1,051,770	1,013,353
Tax liabilities	8,327	4,553	9,608
Bank and other borrowings	7,148,081	5,964,579	3,010,351
Deferred income	6,394	12,755	11,505
Derivative financial liabilities	3,336	3,336	7,733
Convertible bonds	681,872	429,369	1,165,695
Bond payables	830,471	1,045,061	–
	<u>16,751,527</u>	<u>13,847,554</u>	<u>11,178,131</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	38,356	46,759	46,311
Bank and other borrowings	3,919,264	4,900,714	8,414,876
Obligations under finance leases	27,909	66,852	105,170
Deferred income	22,120	27,897	52,056
Convertible bonds	997,348	1,081,672	1,113,486
Bond payables	–	–	1,012,095
	<u>5,004,997</u>	<u>6,123,894</u>	<u>10,743,994</u>
<b>Total liabilities</b>	<u><u>21,756,524</u></u>	<u><u>19,971,448</u></u>	<u><u>21,922,125</u></u>
<b>Total equity</b>			
Equity attributable to owners			
of the Company	2,262,797	4,041,194	4,812,591
Non-controlling interests	<u>1,384,425</u>	<u>1,313,300</u>	<u>1,278,691</u>
	<u><u>3,647,222</u></u>	<u><u>5,354,494</u></u>	<u><u>6,091,282</u></u>

As at 31 December 2018, the Group's total assets amounted to approximately RMB25,403.7 million representing a slight increase of approximately 0.3% from approximately RMB25,325.9 million as at 31 December 2017. Non-current assets of the Group, which mainly consist of solar power plants and property, plant and equipment amounted to an aggregate of approximately RMB13,671.7 million as at 31 December 2018 as compared to an aggregate of approximately RMB15,058.2 million as at 31 December 2017. The Group's current assets recorded an increase of approximately 19.0% from approximately

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RMB7,708.2 million as at 31 December 2017 to approximately RMB9,169.0 million as at 31 December 2018. Such increase was mainly resulted from the increase in the restricted bank deposits of approximately 38.2% from approximately RMB1,476.4 million as at 31 December 2017 to approximately RMB2,039.6 million as at 31 December 2018. The Group's bank balances and cash amounted to approximately RMB754.6 million as at 31 December 2018, representing an increase of approximately 13.7% from approximately RMB663.7 million as at 31 December 2017.

Total liabilities of the Group recorded approximately RMB21,756.5 million as at 31 December 2018, increased by approximately 8.9% from approximately RMB19,971.4 million as at 31 December 2017, while the total debts of the Group amounted to approximately RMB13,577.0 million as at 31 December 2018 compared with approximately RMB13,421.4 million as at 31 December 2017. We note that the Group had a net debts position of approximately RMB10,782.8 million as at 31 December 2018.

As at 31 December 2018, the total equity attributable to owners of the Company was approximately RMB2,262.8 million, representing a decrease of approximately 44.0% as compared with approximately RMB4,041.2 million as at 31 December 2017.

### **2. *Information on Vendor***

The Vendor is a company incorporated under the laws of Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

### **3. *Information on the Disposal Group***

#### **3.1 *The Target Company***

The Target Company is a company established under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Company, which operates the following businesses of the Group:

- (i) the upstream PRC Manufacturing Business, being the power module manufacturing business which primarily consists of solar cells, modules and panel manufacturing in the PRC operated via a number of operating subsidiaries of the Target Company; and
- (ii) the Overseas Business, which primarily consists of the following:
  - (a) the Overseas Plants business, being the construction, operations and sale of solar power plants in Europe and Japan; and

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- (b) the Plant Management business, being the power plant management and energy solution services that are primarily provided via Solarstorm AG, a German headquartered subsidiary of the Target Company.

Other than the assets of the PRC Manufacturing Business currently held by a wholly owned subsidiary of the Vendor (namely, Jiangsu Shunfeng Electricity) which shall be transferred to the Disposal Group as part of the pre-completion internal reorganization steps as disclosed in the sub-section headed “II – 2. Principal terms of the Sale and Purchase Agreement – Pre-completion internal reorganization steps” below, the Disposal Group does not hold any part of the Remaining Group’s business.

Further details of the Target Company and the principal subsidiaries and joint venture of the Target Company are set out as follows:

No.	Name	Principal business	Production capacity/ installed capacity as at LPD	Principal place of business	Equity interest held by the Group
1.	Target Company	Production and sales of solar cells	Solar cells: 1.2GW	Wujin, Changzhou, Jiangsu Province, PRC	100%
2.	Wuxi Suntech	Production and sales of solar cells and modules	Solar cells: 1.8GW Solar modules: 3.0GW	Xinwu District, Wuxi, Jiangsu Province, PRC	100%
3.	Suntech Power Japan Power Co., Ltd	Sales of solar modules and systems	N/A	Tokyo, Japan	100%
4.	Luoyang Suntech Solar Power Co., Ltd.* (洛陽尚德太陽能電力有限公司)	Production and sales of solar cells, PV systems installation	Solar cells: 400MW	Luoyang, Henan Province, PRC	100%
5.	Jiangsu Shunfeng New Energy Technology Co., Ltd.* (江蘇順風新能源科技有限公司) <i>Note: This is a joint venture of the Group.</i>	Production and sales of solar cells	Solar cells: 1.5GW	Wujin, Changzhou, Jiangsu Province, PRC	51%
6.	meteocontrol GmbH	Solar power plant monitoring services	N/A	Augsburg, Germany	100%
7.	J Energy Power L.P.	Operation of solar power plants	Installed capacity of solar power plants: 19MW	Tenzan, Japan, Shirakanezaka, Japan, Muroran, Japan and Kumagaya, Japan	100%

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No.	Name	Principal business	Production capacity/ installed capacity as at LPD	Principal place of business	Equity interest held by the Group
8.	SF SolPower AG	Operation of solar power plants	Installed capacity of solar power plants: 8.34MW	Germany, Switzerland and Czech Republic	100%
9.	Changzhou Shunfeng Photovoltaic Materials Co., Ltd.* (常州順風光電材料有限公司)	Production and sales of solar wafers (production and operation have ceased to continue)	Solar wafers: 500MW	Wujin, Changzhou, Jiangsu Province, PRC	100%

### 3.2 Financial information on the Disposal Group

Based on the unaudited consolidated financial statement of the Disposal Group as set out in Appendix II in the Circular, the financial information of the Disposal Group for the three years ended 31 December 2018 is as follows:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit/(loss) before taxation	(473,149)	421,943	132,759
Net profit/(loss) after taxation	(596,518)	356,184	152,870

*Note:*

During the year ended 31 December 2018, due to adverse changes in market conditions, including the release of the new governmental policy, the management of the Disposal Group reviews the recoverable amounts of the relevant CGUs (which is the higher of its value-in-use and its fair value less costs of disposal) to determine whether there is any impairment loss. As a result, the goodwill of RMB6,237,000 was fully impaired during the year ended 31 December 2018, accordingly.

As at 31 December 2018, due to the adverse change of market conditions, in the opinion of the Directors of the Company, the recoverable amount of the machinery and equipment in respect of the Disposal Group's manufacturing and sales of Solar Products business is estimated to be less than its carrying amount, and the carrying amount of the relevant machinery and equipment are reduced to the extent of its recoverable amount, with an impairment loss of RMB758,037,000 recognised, accordingly.

Based on the unaudited financial information of the Disposal Group as set out in Appendix II in the Circular, the unaudited net asset value and the unaudited total asset value of the Disposal Group as at 31 December 2018 was approximately RMB4,101 million and RMB10,725 million, respectively.

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As at the Latest Practicable Date, the entire equity interest in the Target Company is held by the Vendor. Upon Completion, each entity of the Disposal Group will cease to be a subsidiary of the Company and the financial positions and results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

#### **4. *Information on the Purchaser***

The Purchaser is a company incorporated under the laws of the BVI with limited liability. The Purchaser is principally engaged in investment holding.

As at the Latest Practicable Date, the Purchaser is held as to 100% by Mr. Cheng, a substantial shareholder of the Company holding approximately 29.98% of the total issued shares of the Company. The Purchaser is therefore an associate of Mr. Cheng and a connected person of the Company.

#### **5. *Information on the Remaining Group***

The Remaining Business immediately after the Disposal comprises (i) the PRC Power Generation Business and (ii) the LED Business.

##### *5.1 PRC Power Generation Business*

The PRC Power Generation Business comprises the operation of solar power plants in the PRC. Construction of the Group's first solar power plant in the PRC commenced in 2013. As at the Latest Practicable Date, the Group operated 58 solar power plants in the PRC situated in 11 different provinces or autonomous regions. As at the Latest Practicable Date, the primary source of income of the PRC Power Generation Business was the revenue, tariff and government subsidies received for electricity generated by such solar power plants.

Based on information of the Group, as at 31 December 2018, the Group's on-grid solar power plants in the PRC account for approximately 0.92% of the total on-grid solar power plants in the PRC in terms of installed capacity.



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Sets out below is a list of the locations, capacities, status and occupied area of the solar power plants of the Group as at Latest Practicable Date.

<b>Location</b>	<b>Capacity (MW)</b>	<b>Status</b>
Xinjiang	682.57	Grid-connected
Gansu	300.62	Grid-connected
Hebei	213.69	Grid-connected
Ningxia	109.95	Grid-connected
Yunnan	50.00	Grid-connected
Zhejiang	31.67	Grid-connected
Qinghai	30.39	Grid-connected
Jiangsu	30.34	Grid-connected
Shandong	25.71	Grid-connected
Hunan	14.95	Grid-connected
Hunan	3.08	Pending grid-connection
Tibet	9.75	Grid-connected

The solar power plants of the Group in the Remaining Business are situated in multiple parts of China. The aggregate capacity of all of the solar power plants comes to a total of 1.5 GW.

Set out below are the total assets value, revenue and net profit/(loss) attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2018 extracted from unaudited pro forma financial statements of the Remaining Group:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	14,911,060	15,372,811	16,844,951
Revenue	1,310,109	1,214,445	1,111,354
Net profit/(loss) attributable to the Group	(158,548)	(281,584)	(571,480)

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Set out below are the total assets value, revenue and net profit/(loss) attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2018 as a percentage of the Group's total assets value, revenue and net profit/(loss) for the three years ended 31 December 2018 calculated based on information extracted from unaudited pro forma financial statements of the Remaining Group and the Disposal Group:

	For the year ended 31 December		
	2018	2017	2016
Total assets	58.70%	60.70%	60.13%
Revenue	12.73%	12.12%	13.43%
Net profit/(loss) attributable to the Group	9.29% (Note)	33.76% (Note)	23.82% (Note)

*Note:* the percentage figures represent the net loss attributable to the Group of the PRC Power Generation Business for the three years ended 31 December 2016, 2017 and 2018 of approximately RMB571,480,000, RMB281,584,000 and RMB158,548,000, respectively, divided by the Group's total net loss for the two years ended 31 December 2016, 2017 and 2018 of approximately RMB2,399,395,000, RMB834,136,000 and RMB1,706,720,000, respectively.

For further details on the financial information of the Remaining Group, please refer to Appendix III and Appendix IV to this Circular.

### 5.2 Business model of the PRC Power Generation Business

Under the current operation model of the Group's PRC Power Generation Business, the Company would raise funds to construct solar power plants in the PRC, following which the Company would sell the electricity generated by the solar power plants to branches of the State Grid. This also allows the Company to obtain on-grid electricity fees and additional power generation subsidies provided by the government. The power generation subsidies are provided to the Group by the PRC government in order to support the more environmentally friendly solar power generation. The standard for subsidies is formulated and published by the relevant government departments according to the time needed to construct the solar power plants, and would normally remain unchanged for the 20 years following the completion of the solar power plants.

The electricity generated by the PRC Power Generation Business is directly sold mainly to the branches of the State Grid located in the project areas. The State Grid and its branches are under the obligation to make mandatory acquisitions in accordance with the relevant Renewable Energy Law in the PRC. The major customers of the PRC Power Generation Business are the branches of the State Grid in various provinces, including the State Grid Xinjiang Branch, the State Grid Hebei Branch and the State Grid Gansu Branch, etc. The Group does not need to purchase raw materials except when certain equipment or parts need to be replaced due to malfunctioning.

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As at the Latest Practicable Date, the Company currently has no other pipeline project in the PRC and had not signed any agreements in relation to the sale of power generation units of the Remaining Business.

### *5.3 Information on customers of the PRC Power Generation Business*

For the three years ended 31 December 2016, 2017 and 2018, the total number of customers in respect of the Group's PRC Power Generation Business was 48, 45 and 44 respectively. Typically, each solar power plant of the Group will have one customer (i.e. the relevant branch of the State Grid) which will acquire electricity generated thereby.

Under the Group's PRC Power Generation Business, as at the Latest Practicable Date, members of the Group have entered into power sales agreements in 58 projects with a term ranging from two to six years, involving a total of 1,500MW of installed capacity with the relevant branches of the State Grid.

### *5.4 Information on suppliers of PRC Power Generation Business*

For the three years ended 31 December 2016, 2017 and 2018, the total number of suppliers in relation to the PRC Power Generation Business was 15, 7 and 12, respectively. Further, for the three years ended 31 December 2016, 2017 and 2018, the total supplier purchase amount of the PRC Power Generation Business was RMB1,682.4 million, RMB174.3 million and RMB130.4 million respectively. The relatively higher purchase amount in 2016 was mainly due to higher number of solar power plant projects under construction, which resulted in the higher costs incurred for the construction of such power plants. As construction of the power plants gradually completed, the Company's purchase amount decreased year by year since 2016.

### *5.5 The LED Business*

The Group operates an LED manufacturing business, an energy efficient lighting device, which is operated via Lattice Power, an indirect non wholly-owned subsidiary of the Group. Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for the use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries.

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Set out below are the total assets value, revenue and net profit attributable to the Group of the LED Business for the three years ended 31 December 2018 extracted from unaudited pro forma financial statements of the Remaining Group:

	For the year ended 31 December		
	2018	2017	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	684,502	683,912	625,804
Revenue	334,521	320,018	279,974
Net profit/(loss) attributable to the Group	28,246	43,653	341,757

For further details on the financial information of the Remaining Group, please refer to Appendix III and Appendix IV in the Circular.

### 5.6 Business model of the LED Business

The operation model of the LED Business involves research and development, production and sales of LED products to downstream market, which are mainly used in lighting, mobile phone flash lights, UV rays sterilisations and other fields. The Group operates its LED Business via Lattice Power, an indirect non wholly-owned subsidiary of the Group. The major customers of the LED Business include Xiaomi Communications Co., Ltd. (小米通訊技術有限公司), Jiangxi Jingzhong Teng Optoelectronics Co., Ltd.\* (江西晶眾騰光電有限公司), and Shenzhen Hanhua Photovoltaics Co., Ltd.\* (深圳漢華光電子有限公司). No distributors are involved in the LED Business. The main suppliers include Sino-Platinum Metals Co., Ltd. (貴研鉑業股份有限公司), Guangyang Chemical Applied Materials Technology (Kunshan) Co., Ltd.\* (光洋化學應用材料科技(昆山)有限公司) and Dongguan Sino Semiconductor Co., Ltd.\* (東莞市中圖半導體科技有限公司). The Company directly sells to downstream customers and the majority of customers have maintained long-term cooperation with the Company.

### 5.7 Information on customers of the LED Business

For the three years ended 31 December 2016, 2017 and 2018, the total number of customers in respect of the Group's LED Business was 865, 500 and 708 respectively. Further, at each of the three years ended 31 December 2016, 2017 and 2018, the total sales of the Group's PRC Power Generation Business was RMB995 million, RMB1.21 billion and RMB1.31 billion respectively, while the total sales of the LED Business was RMB280 million, RMB320 million and RMB335 million respectively.

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### *5.8 Information on suppliers of the LED Business*

For the three years ended 31 December 2016, 2017 and 2018, the total number of suppliers in relation to the LED Business was 409, 466 and 450 respectively. Further, for the three years ended 31 December 2016, 2017 and 2018, the total supplier purchase amount of the LED Business was RMB206.5 million, RMB236.5 million and RMB207.8 million, respectively.

### *5.9 Scale of operation of the Remaining Business*

As set out above, the revenue generated from the Remaining Group for the year ended 31 December 2018 was approximately RMB1,645 million. The solar power plants of the Group in the Remaining Group are situated in multiple parts of China. As at the Latest Practicable Date, the aggregate capacity of all of the solar power plants comes to a total of 1.5 GW. The Remaining Group employs approximately 1,032 staff.

## II. The Disposal

### *1. Reasons for and Benefits of the Disposal*

As stated in the letter from the Board, the management of the Company considers that the reasons for and benefits of the Disposal are as follows:

#### *1.1 2016 Possible Disposal*

We have reviewed the announcement of the Company dated 31 May 2016 and understand that back in May 2016, the Company and the Purchaser were contemplating the possible disposal of the Target Company (“**2016 Possible Disposal**”), the business of which were substantially the same as the business of the Disposal Group to date (except that the Overseas Business is also intended to be disposed of in the current Disposal).

The development of the business of the Group, in particular the construction of the solar power farms in the PRC, was extremely capital intensive. Whilst the Group operates a substantial level of clean energy businesses, one important factor that had hindered the Group’s financial performance has been the high level of finance costs (i.e. interest expenses) associated with its high debt level. As disclosed in the 2016 interim report of the Company, as at 30 June 2016, the Group was in a negative net cash position of RMB12,295.3 million. All of the proceeds from the 2016 Possible Disposal were proposed to be used for the reduction of the Group’s debt.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *1.2 Alternative financing and termination of the 2016 Possible Disposal*

Whilst considering whether to proceed with the 2016 Possible Disposal, the Company was in search for alternative debt financing opportunities. Similar to the 2016 Possible Disposal, the purpose of the alternative debt financing was to provide the Group with additional liquidity, including in discharging a number of upcoming repayment obligations.

The Group had identified a lender, Sino Alliance, an Independent Third Party, which had, pursuant to a loan agreement, agreed to provide a HK\$2,500 million (approximately RMB2,236 million) facility (the “**Sino Alliance Facility**”) to the Group in December 2016 pursuant to the arrangement. The term of the Sino Alliance Facility is two years. Also, as part of the Sino Alliance Facility, the Group had to charge its 100% equity interests in certain of its subsidiaries including Wuxi Suntech, the Target Company, and the Vendor, together with certain properties, plant and equipment of Wuxi Suntech as security for the loan. The Target Company and Wuxi Suntech comprised the majority of the business that was the subject of the 2016 Possible Disposal.

As the Company was able to secure the above-mentioned loan facility which alleviated the Group’s concerns at the time, and as a large part of the business that was the subject of the 2016 Possible Disposal was charged as security, it was decided that discussions relating to the 2016 Possible Disposal at that stage could be put to an end and the parties entered into a termination agreement on 6 January 2017 to terminate the 2016 Possible Disposal.

### *1.3 Working capital needs and reducing debt level*

Despite that the working capital needs of the Company were temporarily alleviated in 2016 and 2017, the Company had a net decrease of approximately RMB248.9 million in cash and cash equivalents from approximately RMB912.6 million as at 31 December 2016 to approximately RMB663.7 million as at 31 December 2017, and a further net decrease of approximately RMB155.7 million to approximately RMB508 million as at 30 June 2018. These decreases were primarily attributable to, among other things, repayment of bank and other borrowings and payment of interests.

As at 30 April 2019, based on the Company’s published annual report, the Group was in a negative net cash position of RMB12,889.3 million, which included cash and cash equivalents of RMB754.6 million, bank and other borrowings of RMB11,067.3 million, convertible bonds of RMB1,679.2 million, bonds payable of RMB830.5 million and obligations under finance leases of RMB66.9 million.

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As at the Latest Practicable Date, the Company has the following outstanding debt on or before 30 June 2019:

Creditor	Amount	Due date
Convertible bonds issued by the Company	HK\$407,000,000	15 June 2019

With respect to the outstanding principal of the convertible bonds of HK\$868.4 million due on 15 June 2019 (the "**Fourth CB**") with 21 bondholders (who are third parties independent of, and not connected with the Company), the Company has fully paid the last interest of HK\$17 million to all bondholders on the maturity date and repaid in full to 1 bondholder with principal amount of HK\$30 million up to the Latest Practicable Date.

The Company entered into settlement agreements and subscription agreements with 19 bondholders on 15 June 2019, and the Company agreed to repay partially to the 19 bondholders in aggregate for HK\$264.2 million (the "**Partial Repayment**"), and upon payment of the Partial Repayment, the 19 bondholders will agree to waive all their rights under the original terms and conditions in relation to the Fourth CB for the remainder of the principal amount and any interests payable by the Company, and will then proceed with the subscription of unlisted notes for the remainder of the aggregated unpaid principal amount, totaling HK\$564.2 million, which will be redeemed by the Company on 20 December 2019.

In summary, up to the Latest Practicable Date, in respect of the Fourth CB of HK\$868.4 million due on 15 June 2019, the Company has (a) made full repayment to 1 bondholder of HK\$30 million, (b) completed the Partial Repayment of HK\$214.2 million to 18 bondholders and successfully converted the outstanding Fourth CB to unlisted notes of HK\$214.2 million; (c) only made HK\$3 million out of the total agreed partial repayment of HK\$50 million to 1 bondholder ("**Unsettled Bondholder A**") with total outstanding principal balance of HK\$397 million outstanding; and (d) been in negotiation with 1 bondholder ("**Unsettled Bondholder B**") to agree the repayment of the outstanding principal balance of HK\$10 million prior to 4 July 2019.

In respect of items (c) and (d) above, the Company has (i) obtained oral consent from Unsettled Bondholder A that the Company will repay the shortfall of HK\$47 million in respect of the agreed amount of partial repayment prior to 15 July 2019 and then to proceed with the subscription of unlisted notes of HK\$350 million; and (ii) obtained oral consent from Unsettled Bondholder B for the full repayment of HK\$10 million prior to 4 July 2019, and therefore the Company is confident that the repayment of the outstanding amount of HK\$350 million due to Unsettled Bondholder A can be successfully extended to 20 December 2019 and no dispute will be resulted from Unsettled Bondholder B.

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Save as disclosed above, the Company is in the process of seeking additional capital for the repayment of the above debts that are due on or before 30 June 2019. In the alternative, the Company will seek to negotiate with the relevant creditors to seek refinancing and/or extension of due dates of the relevant debts, if necessary.

As disclosed in the sub-section headed “The Sale and Purchase Agreement – Consideration and payment” in the letter from the Board, the Consideration RMB3,000 million, and the settlement methods of the which involve (i) cash payment from the Purchaser to the Vendor of a total amount of RMB1,945 million in cash; and (ii) the Purchaser assuming certain indebtedness owed by the Vendor to a third party lender. As such, the Company expects that the proceeds from the Disposal and the Consideration, together with the waiver by Peace Link of HK\$1,948 million under the Third CB as described in the section headed “Waiver of Third CB” in the letter from the Board, will help, among other things, the improvement of its balance sheet position by reducing its debt level.

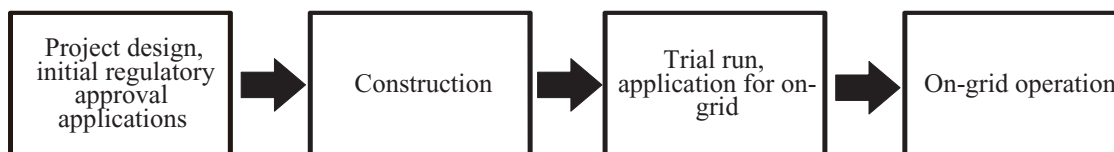
### *1.4 Scope of Disposal*

Despite that the Remaining Group’s business (in particular, the PRC Power Generation Business) has been loss making since the year ended 31 December 2016, while the PRC Manufacturing Business only started to become loss making for the year ended 31 December 2018, the Company has considered the following factors in determining the scope of the Disposal.

#### *Life cycle of solar power plants*

Construction of the Group’s first solar power plant in the PRC commenced in 2013 and the Group commenced its PRC Power Generation Business in 2014. Prior to the Group’s solar power plants becoming fully operational and income generating, there was a latent period during which the PRC Power Generation Business was not profitable.

Set out below is the life cycle of solar power plants of the Group:



Based on the Group’s track record, the time required from project design to commencement of trial run ranges from 6 months to 8 months. Trial run typically requires approximately 3 month to 6 months. Accordingly, a solar power plant will commence on-grid operation – and hence be able to generate income – after approximately 9 months to 14 months from the project design stage.



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After years of dedication and significant capital investments, most of the Group's solar power plants in the PRC are now under on-grid operation and generating income for the Group. The life cycle above also explains why revenue attributable to the PRC Power Generation Business was very low in the early years and is now seeing substantial growth on a year-on-year basis as more number of the Group's solar power plants have, in recent years, become on-grid operational. The low level of revenue in the early years is not indicative of their performance but, rather, a reflection of the time required for the solar power plants to become on-grid operational.

Set out below is a list of the Group's solar power plant locations, their respective capacity and year in which they have or are expected to become grid-connected:

Location	Capacity (MW)	Status	Year (expected year) of grid-connection
Xinjiang	682.57	Grid-connected	2013-2016
Gansu	300.62	Grid-connected	2013-2015
Hebei	213.69	Grid-connected	2014-2019
Ningxia	109.95	Grid-connected	2013-2016
Yunnan	50.00	Grid-connected	2015
Zhejiang	31.67	Grid-connected	2014
Qinghai	30.39	Grid-connected	2011-2013
Jiangsu	30.34	Grid-connected	2014-2017
Shandong	25.71	Grid-connected	2014-2015
Hunan	14.95	Grid-connected	2014
Hunan	3.08	Pending grid-connection	(2019)
Tibet	9.75	Grid-connected	2013

### *Finance costs and high debt level of the PRC Power Generation Business*

Further, as explained above, the development of the business of the Group, in particular the construction of the solar power farms in the PRC, was extremely capital intensive. Despite a substantial growth on a year-on-year basis, one important factor that had hindered the Group's financial performance (including the financial performance of the PRC Manufacturing Business) has been the high level of finance costs (i.e. interest expenses) associated with its high debt level from the construction of the PRC solar power farms. The Group's financial performance suffers a vicious cycle of increasing financial costs as the Group continues to make losses due to such increasing financial costs and negated the growth brought by the PRC Power Generation Business. Upon Completion, the debt of the Group will be reduced by approximately RMB8,191 million.

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### *Unfavourable prospect of the PRC Manufacturing Business*

In contrast, despite that the PRC Manufacturing Business only started to become loss making for the year ended 31 December 2018, the global market for the solar cells, modules and panel has been very vulnerable to factors such as policies in recent years. The Group's PRC Manufacturing Business is also increasingly subject to anti-dumping tariffs and other trade restrictions imposed by the United States as well as the change in government policies in the PRC regarding the reduction in subsidies by the PRC government in respect of the PRC Manufacturing Business in May 2018, which have reduced the Group's pricing advantage significantly in particular during the second half of year 2018. We have reviewed a joint statement<sup>1</sup> released on 31 May 2018 by the National Development and Reform Commission, Ministry of Finance and National Energy Administration (the "Statement") and noted that the allocation of quotas for new projects had been halted until further notice and these measures are aimed at promoting the solar energy sector's sustainable development, enhancing its development quality and speeding up reduction of subsidies. According to the Statement, the subsidized installation volume for so-called distributed solar farms – rooftop panels at factories, fish farms and buildings whose owners can sell volumes in excess of their own consumption to grid operators – will be capped at 10GW. As such we believe that the solar industry will endure a painful reshuffle before leading players can benefit from consolidation in the long run, which, is unfavorable to the Group in the sense of the business prospect. In addition, based on the United States Anti-dumping and Countervailing Measures against Products from the Mainland China<sup>2</sup> as of 31 March 2019 as published by the Trade and Industry Department of Hong Kong, we note that the anti-dumping tariffs of photovoltaic cells, whether or not assembled into modules and its related products imposed by the United States on 27 July 2018 varies from 4.66% to 238.95% against China, and the latest administrative review conducted by the United States on it was concluded on 20 March 2019 resulting in a continuation of the anti-dumping measure on this product category. Given the United States continued to impose additional duties on China's solar products while India also began to impose provisional safeguard duties on imported solar products in 2018, we concur with the view of the Directors that the Company would be facing greater challenges than ever before in the prospect of the PRC Manufacturing Business. The average unit price of a multicrystalline module has also continued to drop during the first 9-month period in 2018. As disclosed in the 2017 Annual Report of the Company, the market of the Group's manufacturing and sales of solar products business is highly competitive in terms of price, quality and brand awareness. The pricing of similar products by competitors may adversely affect the pricing of the products and could result in keen competition in price, lower business revenue and profitability level or the Group suffering from loss of market share. There is also a trend that the profit margin of the PRC Manufacturing

<sup>1</sup> [http://www.ndrc.gov.cn/gzdt/201806/t20180601\\_888639.html](http://www.ndrc.gov.cn/gzdt/201806/t20180601_888639.html)

<sup>2</sup> [https://www.tid.gov.hk/english/trade\\_relations/ad/files/cases\\_usa.pdf](https://www.tid.gov.hk/english/trade_relations/ad/files/cases_usa.pdf)

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Business is becoming very thin due to volatility of the market considering the contraction in the solar industry will intensify competition in terms of the pricing because of the policy's sudden brake and the Chinese government moved to rein in the expansion of the solar industry by suspending the allocation of more quotas for new farms and cutting subsidies, which we consider will directly limit the profit margin and growth potential of the PRC Manufacturing Business. In addition, developing and maintaining the PRC Manufacturing Business requires intensive capital investment, which is not conducive to the Company's financial performance. Given the uncertainties and risks in respect of the prospect of the Group's PRC Manufacturing Business, the Group plans to focus its business on the investment and operation of solar power plants, allowing the Group to reduce its upstream manufacturing business and focus on and deploy resources for its downstream clean energy business.

### *Performance of the Overseas Business*

Furthermore, the Overseas Business is proposed to be disposed of by the Company as the performance and progress of the Overseas Business have not met the expectations of the Company. In particular, the management costs of the Overseas Business in Europe were relatively high and disproportional. The Overseas Business also recorded a net loss in respect of the Overseas Business for the three years ended 31 December 2018. In addition, the Overseas Business was previously championed by certain management member of the Company who resigned from the Group. Given that the non-performance of the Overseas Business continues to affect the financial performance of the Group and also the reasons stated above, the Company is of the view that simultaneous disposal of the Overseas Business together with the PRC Manufacturing Business will help the Company focus on developing its downstream clean energy business in the PRC.

### *1.5 The Group's strategy after the Disposal*

After the Disposal, the Remaining Group will continue to own solar power generation business in the PRC and the LED Business. The Group's strategy after the Disposal is:

- (a) to continue to operate solar power generation business in the PRC, which includes (i) managing the existing solar power plants (both currently on-grid and those to become on-grid after construction) to derive revenue from electricity power generation; and (ii) the development and construction of new solar power plants projects;
- (b) to continue to operate the LED Business.

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It is expected that the Disposal will streamline the Group's existing business segments and operations, provide investors with greater clarity on the Group's business model, risk and return profile and growth prospects, and sharpen management's strategic focus on the Group's PRC Power Generation Business and LED Business.

Based on the above, the Directors (excluding Mr. Lu Bin, a Director who is the brother-in-law of Mr. Cheng) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are made on an arm's length basis and on normal commercial terms that are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

### *2. Use of proceeds*

The Company intends to use the net proceeds from the Disposal (after deducting relevant costs and expenses) as follows:

- (a) RMB200 million of the Consideration will be used as working capital of the Group (which will not be used to repay the outstanding amount of the Third CB);
- (b) RMB1,745 million (namely, the Second Payment) will be used to repay the Relevant Payables, which are debts borrowed by the PRC Power Generation Business for the purposes of constructing solar power plants, repaying existing loans and interests and supplementing working capital; and
- (c) HK\$1,200 million of the Consideration will be satisfied through the Purchaser taking assignment of a loan in the same amount lent to the Company by Sino Alliance to the Purchaser.

#### *Reasons for repaying the Relevant Payables with the Second Payment*

The transaction is structured such that the inter-company balances owed between the Remaining Group and the Disposal Group are repaid so as to achieve delineation and independence.

As disclosed in the "Repayment of the Relevant Payables" section in the Letter from the Board of the Circular, the relevant amounts owed by the Group's wholly-owned subsidiary, Shunfeng Photovoltaic China and payable to the Disposal Group as at 28 February 2019 amount to approximately RMB1,862 million (the "**Relevant Payables**"). The Second Payment will be applied to repay the Relevant Payables no later than six months after Completion.

In relation to the deferred receipt arrangement for the Second Payment, we understand from the management of the Company that the Company is not expected to have sufficient cash to make such repayment without borrowing further debts. Given the current financial position of the Company, we consider that it would be very difficult to identify financial institution(s) that will be

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willing to provide such a substantial amount of loans to the Company. Even if such further loan(s) can be secured, the loan(s) will incur substantial additional interest expenses given that the amount involved is approximately RMB1,862 million which will further increase financial burdens of the Company and worsen the debts position of the Company. We concur with the view of the Company that the incurring of such additional interest expenses would not be in the interests of the Company in the circumstances. The arrangement involving first receiving the purchase price from the Purchaser before repayment of the Relevant Payables – as opposed to the Company having to repay such the Relevant Payables before Completion – is a concession made by the Purchaser. As a quid-pro-quo, the Company has agreed to the payment date to be 3 months after the Completion Date.

In addition, if the Purchaser does not pay such portion of the Consideration, the Company would not repay the receivables in the amount of approximately RMB1,862 million to the Disposal Group, which the Company believes that it is not unreasonable.

Furthermore, we understand that the Group has considered safeguards for the payment according to the terms of the Sale and Purchase Agreement. Remedies are available to the Company in the event of non-payment by the Purchaser under the relevant PRC law including applying to the court for an order for payment by the defaulting party.

Moreover, the Company will utilize the Second Payment to repay the Relevant Payables owed by Shunfeng Photovoltaic China and payable to the Disposal Group. According to the terms of the Sale and Purchase Agreement, if the Company fails to receive the Second Payment from the Purchaser, the Company will not be under an obligation to repay the Relevant Payables owed to the Disposal Group within the time frame stipulated in the Sale and Purchase Agreement. Therefore, the financial position of the Company will not be adversely affected by any delay or non-payment of the Second Payment. As such, the Directors believe that no additional safeguard is necessary for the payment.

In light of the above, we are of the view that the terms of the Disposal, including the deferred receipt arrangement, are fair and reasonable and are in the interests of the company and its shareholders as a whole.

### **3. *Principal terms of the Sale and Purchase Agreement***

Below sets out the principal terms of the Sale and Purchase Agreement:

Date : 10 December 2018

Parties : (i) Shunfeng Photovoltaic Holdings Limited\* (順風光電控股有限公司) (a direct wholly owned subsidiary of the Company, as the Vendor)

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- (ii) Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司)  
(as the Purchaser)

Asset to be disposed of : the Target Interest, representing 100% of the equity interest in the Target Company, together with all the rights, benefits and obligations of a shareholder corresponding to such equity interest, including the ownership of relevant assets of the PRC Manufacturing Business and Liyang Shuneng (please refer to the sub-section headed “The Sale and Purchase Agreement – Pre-completion internal reorganization steps” for further information).

Consideration and payment : The aggregate Consideration is approximately RMB3,000 million, which comprises the amounts of (a) RMB200 million; (b) HK\$1,200 million; and (c) approximately RMB1,745 million, and shall be paid and settled according to their respectively stated currency, without the need to be converted into RMB or HK\$ (as the case may be).

The settlement methods of the Consideration involve (i) cash payment from the Purchaser to the Vendor of: (a) an amount of RMB200 million; and (b) an amount of RMB1,745 million which will be applied to repay certain amounts payable by the Vendor’s wholly-owned subsidiary to the Disposal Group; and (ii) the Purchaser assuming certain indebtedness owed by the Vendor to a third party lender.

Details are set out as follows:

- (i) **Payment in cash by the Purchaser to the Vendor** – a total amount of RMB1,945 million in cash payable as follows: (a) RMB200 million will be paid on or before the date of Completion; (b) an amount of RMB1,745 million (the “**Second Payment**”) will be paid in cash free of interest within three (3) months after the date of Completion.

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- (ii) **Assumption of debt by the Purchaser** – As at the date of the Sale and Purchase Agreement, the total amount of loan facility provided by Sino Alliance to the Company was HK\$2,500 million. As part of the Consideration, the Parties shall enter into an agreement and all relevant legal documents with Sino Alliance, the debt amount of HK\$1,200 million out of the HK\$2,500 million loan facility provided by Sino Alliance shall be assigned to and assumed by the Purchaser with effect at Completion.

As at the Latest Practicable Date, to the best of the knowledge of the Company, Sino Alliance does not hold any Shares and is an Independent Third Party.

Basis of the Consideration : The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, taking into account, among other things:

- (i) the final valuation dated 30 December 2018 of the Target Interest as at 30 June 2018 conducted by the Valuer adopting the market approach of RMB2,952 million;
- (ii) the unaudited financial information of the Disposal Group including but not limited to the net asset value of the Disposal Group as at 30 June 2018 of RMB4,183 million.

As set out under the section headed "4. Waiver of Third CB" in this letter, on 24 March 2019, Peace Link has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link has agreed to, conditional upon completion of the Disposal and completion of the Previous Subscription both having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million under the third CB for no consideration.

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Whilst the Waiver of the Third CB no longer forms part of the Consideration under the Sale and Purchase Agreement, it is necessary to consider the Disposal as a whole, the benefits arising from the Disposal and all relevant terms, including the premium the Purchaser is paying above appraised market value of the Target Company. We concur with the view of the management of the Company that the repayment of the Third CB is not detachable to and cannot be achieved in isolation with the Disposal, and it is part and parcel of the Disposal. Therefore, the total benefit to the Company arising from the Disposal and the waiver of the Third CB is therefore approximately RMB4,700 million as disclosed in the Circular, which is higher than the net asset value of the Disposal Group as at 30 June 2018 of approximately RMB4,183 million.

In this regard, we consider that the total benefit derived from the Disposal (which include the Consideration of approximately RMB3,000 million and the waiver by Peace Link of HK\$1,948 million under the Third CB) is in the interests of the Company and the Shareholders as a whole.

For details of the unaudited financial information of the Disposal Group and the Valuation Report, please refer to Appendix II and V in the Circular.

Conditions precedent : Completion is subject to and conditional upon the satisfaction of the following Conditions, unless waived pursuant to the Sale and Purchase Agreement:

- (1) the Company having obtained the consent and approval of the Stock Exchange and the Executive for the Disposal, including in relation to special deal under Rule 25 of the Takeovers Code (if applicable);
- (2) the Independent Shareholders having approved the Disposal in accordance with the Listing Rules and under Rule 25 of the Takeovers Code in relation to special deal (if applicable);



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- (3) Completion not resulting in the Company losing its listing status pursuant to the Listing Rules;
- (4) provided that the Previous Subscriber has become a Shareholder at the prevailing time, the Previous Subscriber and the Vendor having confirmed that the Disposal does not require the approval and filing of the state-owned assets supervision and administration department of the PRC;
- (5) the pledge and mortgage on the Target Interest and the relevant assets of the Target Company as particularised in the Sale and Purchase Agreement having all been released without any encumbrances;
- (6) the Vendor having obtained all other necessary consents and approvals in connection with the documents contemplated under the Sale and Purchase Agreement for the purpose of executing, delivering and performing the transactions and documents contemplated by the Sale and Purchase Agreement;
- (7) the Purchaser having obtained all other necessary consents and approvals in connection with the documents contemplated under the Sale and Purchase Agreement for the purpose of executing, delivering and performing the transactions and documents contemplated by the Sale and Purchase Agreement;
- (8) the Company having obtained a valuation report issued by an independent professional valuer appointed by the Company that is reasonably satisfactory to the Company in both form and substance;
- (9) there having been no material adverse change to the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of any companies in the Disposal Group since the date of the Sale and Purchase Agreement;

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- (10) the Vendor and the Disposal Group having fully cooperated with the Purchaser and its appointed consultants and agents on their full and appropriate due diligence within 30 business days from the date of the Sale and Purchase Agreement in accordance with the reasonable request of the Purchaser, in respect of the assets, liabilities, operations and affairs of the Disposal Group, and the results of which being consistent in all material or substantive aspects with the information disclosed by the Vendor prior to the date of the Sale and Purchase Agreement and the information obtained by the Purchaser;
- (11) no court, arbitrator, government agency, statutory or regulatory body having ever issued or instituted any restrictions, prohibitions or illegalized any transactions under the Sale and Purchase Agreement, or any notices, orders, judgments, actions or legal proceedings that may reasonably have a material adverse effect on the Purchaser's rights, without any encumbrance, as a legal and beneficial owners of the Target Interest upon Completion;
- (12) the representations and warranties made by the Vendor under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties; and
- (13) the representations and warranties made by the Purchaser under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties.

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The Vendor shall use its best endeavours to procure the fulfilment of Conditions (1), (2) (3), (4), (5), (6), (8), (9) and (10). The Purchaser shall use its best endeavours to procure the fulfilment of Conditions (7) and (10). The Purchaser shall promptly provide the Vendor, the Stock Exchange, the SFC or other relevant regulatory authorities with all documents and information required by the Listing Rules, the Takeovers Code or other applicable rules, codes or regulations, whether or not in relation to the announcement, circular or other documents regarding the Disposal.

The Parties undertook to each other that it shall use its best endeavour to ensure that the Conditions will be fulfilled as soon as practicable and in any event shall not be later than the Long Stop Date. The Vendor has been negotiating with the Purchaser and has reached a preliminary consensus with the Purchaser with respect to the extension of the Long Stop Date. The Parties has entered into a supplemental agreement to further extend the Long Stop Date to 30 September 2019. Please refer to the announcement of the Company dated 28 June 2019 for further details.

In the event that the Conditions are not fulfilled (or waived) by the Long Stop Date, the Sale and Purchase Agreement shall terminate and become ineffective, upon which the Parties shall be released from all obligations of the Sale and Purchase Agreement, save for any obligations for antecedent breaches by a Party.

Each Party has the right to waive the Condition that is required to be fulfilled by the other Party by written advance notice (except that Condition (1) and (2) are not waivable by any Party).

As at the Latest Practicable Date, Conditions (3), (8) and (10) have been fulfilled.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Reference is made to the announcement of the Company dated 31 March 2019 in relation to, among other things, the lapse of long stop date under the Previous Subscription Agreement (the “**Lapse of Subscription Announcement**”) and the announcement of the Company dated 3 April 2019 which announced that the Disposal no longer constitutes a special deal of the Company under Rule 25 of Takeovers Code (the “**No Special Deal Announcement**”).

As disclosed in the Lapse of Subscription Announcement, as the long stop date of the Subscription Agreement fell on 31 March 2019 and the parties had not agreed to an extension thereof, the Subscription Agreement has lapsed. As disclosed in the No Special Deal Announcement, the Disposal no longer constitutes a special deal of the Company under Rule 25 of Takeovers Code.

In view of the above, the consent and approval of the Executive for the Disposal under Condition (1), as well as the reference to Rule 25 of the Takeovers Code in relation to special deal under Condition (2), are no longer applicable. Further, as confirmed by the PRC legal advisers of the Company, the relevant approval and filing of the state-owned assets supervision and administration department of the PRC under Condition (4) is also no longer required given that the Subscription Agreement has lapsed and has been waived by a supplemental agreement to be entered into by the parties. Please refer to the announcement of the Company dated 28 June 2019 for further details.

The Company confirms that the other Conditions are not affected by the Lapse of subscription Agreement and remain applicable.

Completion : Completion shall take place within 10 business days after the Conditions have been fulfilled. The Vendor and the Purchaser shall proactively cooperate with the Target Company to submit to the relevant local government authorities all relevant materials required for the approvals and filings required for Completion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to facilitate the Completion, the Parties shall endeavour to ensure the approval, filing and completion procedures of all relevant authorities (including but not limited to industry and commerce, foreign exchange, commerce, development and reform committees) required for the Completion be completed.

Repayment of the Relevant Payables : The relevant amounts owed by the Vendor's wholly-owned subsidiary, Shunfeng Photovoltaic Chin and payable to the Disposal Group (the "**Relevant Payables**") as at 28 February 2019 amount approximately RMB1,862 million.

As disclosed in the sub-section headed "the Sale and Purchase Agreement – Consideration and payment above, the Purchaser shall pay the Second Payment of RMB1,745 million as part of the Consideration in cash free of interest within three (3) months after the date of Completion.

After the Purchaser has made the Second Payment to the Vendor, the Vendor shall, as soon as possible, apply the cash from the Second Payment to repay the Relevant Payables. In addition, any outstanding amount of the Relevant Payables (i.e. approximately RMB117 million, calculated based on the difference between the Relevant Payables as at 28 February 2019 of approximately RMB1,862 million and the Second Payment of RMB1,745 million) shall be repaid by Shunfeng Photovoltaic China to the Disposal Group no later than six (6) months after Completion.

Pre-completion internal reorganization steps : As certain assets of the PRC Manufacturing Business intended to be sold by the Vendor to the Purchaser are not currently held under the Disposal Group, but are held by a wholly owned subsidiary of the Vendor (namely, Jiangsu Shunfeng Electricity), the Parties agreed to undertake the following pre-completion internal reorganization steps to transfer such assets to the Disposal Group:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) **Separation of Jiangsu Shunfeng Electricity** – It is expected that the Vendor, Jiangsu Shunfeng Electricity and Liyang Shuneng will enter into a separation agreement, pursuant to which Jiangsu Shunfeng Electricity will establish Liyang Shuneng by way of separation under the PRC laws.
- (ii) **Transfer of the Relevant Assets to Liyang Shuneng** – Pursuant to the separation agreement, certain land, plants, machines and facilities related to solar power module manufacturing and operation held by Jiangsu Shunfeng Electricity (the “**Relevant Assets**”) will be transferred from Jiangsu Shunfeng Electricity to Liyang Shuneng.
- (iii) **Transfer of the equity interest of Liyang Shuneng to the Disposal Group** - The Vendor and Wuxi Suntech (being a subsidiary of the Target Company) shall, within 12 months from the establishment of Liyang Shuneng (or a reasonable time determined in writing by the Parties after negotiation), enter into an equity transfer agreement to complete the transfer of the entire equity interest of Liyang Shuneng to Wuxi Suntech in accordance with the equity transfer agreement.

The consideration for the transfer of entire equity interest of Liyang Shuneng has been included in the Consideration, and the Purchaser and/or Wuxi Suntech shall not be required to pay the Vendor further consideration for the equity interest of Liyang Shuneng. For the sake of clarity, Liyang Shuneng has not been included in the Disposal Group as at the Latest Practicable Date and was not included in the valuation report compiled by the Valuer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the separation of Jiangsu Shunfeng Electricity is still on-going. The Company has submitted the application and relevant materials in relation to the separation to the local Industry and Commerce Department, but the procedures of the separation still require the approval of the local Industry and Commerce Department. As the separation of Jiangsu Shunfeng Electricity has not been completed, the transfer of the Relevant Assets to Liyang Shuneng and the transfer of the equity interest of Liyang Shuneng to the Disposal Group have not been completed.

On the date of determination of the Consideration as at 30 June 2018, none of the reorganization steps were completed. As such, the valuation of Liyang Shuneng was not included in the valuation of the Disposal Group as at 30 June 2018.

As at 30 June 2018, the total assets, total liabilities and net assets of the Relevant Assets, the Disposal Group and the respective proportion related to the Relevant Assets over the sum of which of the Disposal Group and the Relevant Assets are summarized for further information as follow:

	<b>The Relevant Assets (note i) RMB in millions (a)</b>	<b>The Disposal Group (note ii) RMB in millions (b)</b>	<b>Sum of the Disposal Group and the Relevant Assets RMB in millions (c) = (a) + (b)</b>	<b>Proportion (note iii) (a)/(c)</b>
Total assets	162.85 (note iv)	9,619.04	9,781.89	1.7%
Total liabilities	113.85 (note v)	5,435.81	5,549.66	2.1%
Net assets	49.00	4,183.23	4,232.23	1.2%

*Notes:*

- (i) Extracted from the unaudited management accounts of Liyang Shuneng as at 30 June 2018 prepared by the management of the Group under International Financial Reporting Standards (“IFRSs”).
- (ii) Extracted from the unaudited management accounts of the Disposal Group by the management of the Group as at 30 June 2018 prepared under IFRSs.
- (iii) Proportion of total assets, total liabilities and net assets refers to such of the Relevant Assets over the sum of which of the Disposal Group and the Relevant Assets.
- (iv) Total assets of the Relevant Assets as at 30 June 2018 consist of the carrying amounts of property, plant and equipment of RMB137.78 million, prepaid lease payments of RMB25.06 million and intangible assets of RMB0.01 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) Total liabilities related to the Relevant Assets as at 30 June 2018 consist of the carrying amounts of the amount due to the Disposal Group of RMB79.75 million and trade payables of RMB34.1 million.

Based on the above, the directors of the Company determined that the Relevant Assets is not significant to this very substantial disposal and connected transaction. In addition, since the Relevant Assets is closely related to the business of the Disposal Group, for the sake of efficiency and cost saving, the Directors of the Company, instead of engaging the independent professional valuer, determined the fair value of the Relevant Assets as at 30 June 2018 on their own by applying a consistent methodology that had been adopted by the Valuer when they perform the valuation of the Disposal Group.

### *Our views on the Sale and Purchase Agreement*

The terms of the Sale and Purchase Agreement are on normal commercial terms and were arrived based on arm's length negotiations between the Company and the Purchaser. For the Disposal to consummate, acceptance of the terms by both Parties is required. We understand that there shall only be a few cash proceeds from the Disposal and it will mostly be debts set-off to the Company, which we consider to be a practical way to reduce the debt level of the Company by entering into the Sale and Purchase Agreement with the Purchaser. Meanwhile, we understand from the management of the Company that they are also negotiating with other creditors to renew their due debts. Considering the financial position of the Group that it does not have enough cash to repay other due debts, as the case maybe, it is expected that the Company has to raise additional funds for the debts repayment which will further increase the financial burden to the Group, whereas the Consideration of the Disposal will be mostly utilised to offset the debts owed to the Purchaser which will be favourable in improving the Group's financial position, and which we consider to be fair.

### **4. Waiver of Third CB**

As an assistance to the Group's effort of reducing its overall debt level, on 24 March 2019, Peace Link has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link has agreed to, conditional upon completion of the Disposal and completion of the Previous Subscription both having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million out of HK\$2,148 million under the Third CB for no consideration. In addition, in light of the lapse of the Previous Subscription Agreement on 31 March 2019, on 15 May 2019, Peace Link waived the condition for the above waiver that completion of the Previous Subscription shall have taken place. Upon the waiver, HK\$200 million of the Third CB will remain outstanding. We are of the view that the waiver of the Third CB is beneficial to the Company. It will further reduce the outstanding debts of the Group, therefore is in the interest of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. *Evaluation of the Consideration*

#### 5.1 *Comparable Companies analysis*

To assess the fairness and reasonableness of the Consideration in respect of the Disposal, we have attempted to compare the Disposal Group with solar power and related energy companies. We have identified companies (“the **Comparable Companies**”) which are (i) currently listed on the main board of the stock exchange in both Hong Kong and PRC (excluding companies under prolonged suspension or debt restructuring), (ii) principally engaged in manufacturing and sales of solar related products including but not limited to solar cells, modules, panel, polysilicon and wafer in PRC, (iii) over 50% revenues were generated from sales of the solar related products and (iv) with the market capitalisation below HK\$10 billion. We have identified 5 Comparable Companies which have been selected exhaustively based on the above criteria, to the best of our endeavours, in our research through public information. We consider these companies are comparable with the Disposal Group and should give an indication of whether the Consideration is fair and reasonable. Although the market capitalization of the Company is currently trading at around HK\$1.5 billion, considering we are valuing the Consideration of the Disposal (taking into account of the business of the Disposal Group is fulfilled with our above mentioned selection criteria that engaging in the provision of the manufacturing and sales of solar products and the principal business activities are mainly conducted in the PRC) as compared to the valuation with the Comparable Companies, we consider that the Comparable Companies are comparable and should give an indication of whether the Consideration is fair and reasonable. In addition, we have also considered to select the market capitalization of the Comparable Companies below HK\$5 billion, however, only 3 Comparable Companies would fall in such criteria which we consider the sample size was too small to give an fair reference to the shareholders for the indication to assess the valuation of the Consideration. Therefore, we think that the Comparable Companies form a fair and reasonable basis for the Disposal based on our selection criteria so as to evaluate the fairness and reasonableness of the Consideration.

In our assessment, we have considered price-to-earnings ratio (“**P/E**”) and price-to-book ratio (“**P/B**”), which are commonly used as benchmarks to assess the financial valuation of a company engaged in the solar power related business. However, given the Disposal Group was in the loss position of approximately RMB596.5 million for the year ended 31 December 2018 as disclosed in the “Appendix II – Financial information of the Disposal Group” in the Circular and the Disposal Group is a heavy assets basis company as the manufacturing and sales of solar products require large capital investment in the fix assets, we consider that P/E is not appropriate for the purpose of this valuation and therefore P/B is adopted in our assessment. Details of our findings are as follows:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Company Name	Ticker	Currency	Market Cap <i>(in millions)</i>	Net Asset Value attributable to the owners of the company <i>(in millions)</i>	P/B <i>(x) (Note 3)</i>
GCL-Poly Energy Holdings Ltd	3800.HK	HK\$	8,532	24,879 <i>(Note 2)</i>	0.34
Solargiga energy Holdings Ltd	757.HK	HK\$	353	814 <i>(Note 2)</i>	0.43
Jiangsu Akcome Science & Technology Co., Ltd	002610.CH	RMB	8,395	5,881	1.43
Jolywood Suzhou Wunwatt Co., Ltd	300393.CH	RMB	3,810	2,705	1.41
Shenzhen Topraysolar Co., Ltd	002218.CH	RMB	4,055	2,888	1.40
				Maximum	1.43
				Minimum	0.34
				Average	1.00
<b>The Consideration for the Disposal</b> <i>(Note 5)</i>			4,700 <i>(Note 4)</i>	4,101	1.15

*Notes:*

1. The market capitalizations of the respective Comparable Companies are as at the Latest Practicable Date extracted from Bloomberg.
2. The reporting currency of the companies is dominated in RMB currency, the exchange rate applied herein is based on RMB1: HK\$1.1378 as at the Latest Practicable Date according to the Bloomberg.
3. The P/B ratio is calculated based on the market capitalizations of the respective Comparable Companies as at Latest Practicable Date divided by the net asset value attributable to the owners of the respective Comparable Companies as obtained from their latest published financial reports.
4. The Consideration used herein is the total benefit to the Company arising from the Disposal and the waiver of the Third CB.
5. The implied P/B ratio of the Consideration of the Disposal is calculated based on the total Consideration of the Disposal divided by the net asset value attributable to the owners of the company as at 31 December 2018 as extracted from “Appendix II – Financial Information of the Disposal Group” contained the Circular.

We note that the P/B ratio of the Comparable Companies ranged from approximately 0.34 to 1.43 (“**Trading P/B Range**”) with an average of approximately 1.00 (“**Trading P/B Average**”). The implied P/B ratio of the Consideration of the Disposal is approximately 1.15, where it falls within the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Trading P/B Range and above the Trading P/B Average. We are of the view that the Consideration of the Disposal is fair and reasonable so far as the Independent Shareholders' are concerned.

### 5.2 Valuation Report

In order to assess the basis in determining fairness of the Consideration regarding the Disposal, we have reviewed the Valuation Report produced by the Valuer, and have discussed with the Valuer and the management of the Company. We note that the Valuer have considered various valuation approaches such as cost approach, income approach and market approach, while they have adopted market approach for the appraisal due to the reasons that (i) the cost approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately and this methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution; (ii) income approach involves plenty of assumptions in formulating the financial projection of the Disposal Group and the assumptions might not be able to reflect the uncertainties in the future performance of the Disposal Group. We concur with the valuation methodology used by the Valuer and think that the fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus.

In conducting the valuation of the Disposal Group, the Valuer has also adopted the following assumptions:

- the economic outlook for the region operated by the Disposal Group and specific competitive environments affecting the industry;
- the business risks of the Disposal Group;
- the comparable companies are engaging in business operations similar to the Disposal Group;
- the experience of the management team of the Disposal Group and support from its shareholders;
- the legal and regulatory issues of the industry in general;
- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Disposal Group; and
- assuming that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, Valuer assumes no responsibility for changes in market conditions after 31 March 2019, the valuation date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In our discussion with the Valuer, we understand that the valuation was carried out by comparing the Comparable Companies based on the comparability of the overall industry sector. As such, we have reviewed the selection criteria as well as the valuation worksheet provided by the Valuer. We are of the opinion that the comparables selected in the perspective of the Valuer are fair and reasonable so far as the Independent Shareholders are concerned. We note that the valuation concluded by the valuer, on the basis of the fair value of the 100% equity interest of the Disposal Group, was approximately RMB2,952 million. The Consideration of approximately RMB3,000 million of the Disposal is at a premium of approximately 1.6% over the valuation on the Disposal Group appraised by the Valuer, whereas the total benefit of RMB4,700 million arising from the Disposal and the waiver of the Third CB represents approximately 59.2% over the valuation on the Disposal Group. As such, we consider that the Consideration of the Disposal is fair and reasonable and is in the interest of the Company and Shareholders as a whole.

In addition, we have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. We understand that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions over the years. We further understand that the Valuer is independent from the Company and the other parties involved in the Disposal. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified with extensive experience for valuing the Disposal Group.

In light of the above, we consider the Valuation Report is a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration of the Disposal.

### **6. *Financial impacts of the Disposal on the Group***

Upon Completion, each entity of the Disposal Group will cease to be a subsidiary of the Company, and the financial results and positions of the Disposal Group will be fully deconsolidated from the financial statements of the Group.

#### *6.1 Effect on earnings*

According to Appendix III – Unaudited pro forma financial information of the Remaining Group, assuming the Disposal is completed on 31 December 2018, the loss of the Remaining Group would be approximately RMB2,279 million for the year ended 31 December 2018 comparing with the loss of the Group of approximately RMB1,707 million for the year ended 31 December 2018. Therefore it is likely that the Disposal will have a negative impact on the earnings of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *6.2 Effect on cash and working capital*

According to Appendix III – Unaudited pro forma financial information of the Remaining Group, assuming the Disposal is completed on 31 December 2018, the bank balances and cash is approximately RMB265 million as at 31 December 2018 comparing with the bank balances and cash of approximately RMB755 million of the Group as at 31 December 2018. We understand that the Consideration of the Disposal will mostly offset the several outstanding debts of the Group for the repayment of bank and other borrowings and payment of interests while about HK\$200 million will be supplemented as working capital of the Group. Although the Disposal would have a negative impact on the bank balances and cash of the Group upon completion of the Disposal, it will largely reduce the debts level of the Group as well so as improve the current net negative cash position of the Group. In addition, we believe that the reduction in Group's highly indebted position will enable the Group to restructure the refinancing strategies and may increase the negotiation power with different creditors. We understand from the management of the Company that the Company will seek alternative refinancing and/or extension of due dates of the relevant debts with banks, financial institutions and convertible bondholders, and may dispose further of its solar power plants and/or subsidiaries that hold solar power plants in the future. We therefore believe that the Group will have sufficient working capital for its present operating requirements and for at least the next twelve months from the Latest Practicable Date.

### *6.3 Effect on net debts level*

According to the 2018 Annual Report, we understand that the Group's net debts recorded approximately RMB13,577 million as at 31 December 2018. Based on the Appendix III – Unaudited pro forma financial information of the Remaining Group, assuming the Disposal is completed on 31 December 2018, the net debts would be reduced by approximately RMB2,588 million to approximately RMB10,989 million of the Remaining Group. As such, we think that the Disposal will have a positive impact on the net debts level of the Group.

We would like to draw attention of the Independent Shareholders that the above analysis is for illustration purpose. The actual gain or loss and financial position of the Group in connection with the Disposal may be different from the above and will be assessed after the completion of the Disposal. Nevertheless, although the Disposal might have negative impact on the earnings and the cash level of the Remaining Group, it will enable the Group to restructure the refinancing strategies and might increase the negotiation power with its creditors considering the debts level of the Group would be improved. We think that the Disposal is the only way for the Group to release its pressures on debts repayment at the moment as to avoid any defaults and potential lawsuits from the creditors in the future, which we believe is beneficial to the Company in the perspective of long-term development of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. Opinion and Recommendation

Having taken into account, in particular:

- (i) the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms;
- (ii) the Consideration is fair and reasonable and is in the interest of the Company and Shareholders as a whole;
- (iii) the Disposal will have a positive impact on the net debts level of the Group. Although the Disposal might have a negative impact on the earnings and cash level of the Remaining Group, it will enable the Group to restructure the refinancing strategies to which assisting the Group to increase the negotiation power with its creditors considering the debts level of the Group would be improved; and
- (iv) the Disposal is the only way for the Group to release its pressures on debts repayment at the moment as to avoid any defaults and potential lawsuits from the creditors in the future, which we believe is beneficial to the Company in the perspective of long-term development of the Group,

we are of the view that the Disposal and entering into the Share Purchase Agreement are in the interests of the Company and Shareholders as a whole and the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder as well as the Special Deal at the EGM.

Yours faithfully,  
For and on behalf of  
**Platinum Securities Company Limited**

**Li Lan**  
*Director and Co-head of Corporate Finance*

*Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over twelve years of experience in corporate finance industry.*

**I. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://sfcegroup.com>):

- (i) annual report of the Company for the year ended 31 December 2016 published on 28 April 2017 (pages 54-210) <http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN201704281098.pdf>
- (ii) annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 54-202) <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804271256.pdf>
- (iii) annual report of the Company for the year ended 31 December 2018 published on 30 April 2019 (pages 53-238) <http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0430/LTN20190430935.pdf>

**II. STATEMENT OF INDEBTEDNESS**

At the close of business on 30 April 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had the following indebtedness:

**Bank and other borrowings**

As at 30 April 2019, the Group had bank and other borrowings of approximately RMB11,188.7 million, (being their principal amounts as at 30 April 2019) of which:

- a) bank and other borrowings of approximately RMB1,497.8 million were secured by certain leasehold land, property, plant and equipment, bank deposits, and/or equity interests in certain subsidiaries of the Companies and guaranteed by certain independent third parties;
- b) bank and other borrowings of approximately RMB9,250.7 million were secured by certain leasehold land, property, plant and equipment, bank deposits, accrued revenue on tariff subsidy, and/or equity interests in certain subsidiaries of the Companies and unguaranteed;
- c) bank and other borrowings of approximately RMB331.0 million were guaranteed by certain independent third parties and unsecured;
- d) bank and other borrowings of RMB109.2 million were neither secured nor guaranteed.

**Bond payables**

As at 30 April 2019, the Group had outstanding bond payables with principal amount of approximately RMB825.5 million, among which RMB275.5 million is secured by certain deposit placed by the Group and unguaranteed, while the remaining RMB550.0 million is unsecured and guaranteed by Mr. Cheng Kin Ming, a substantial shareholder of the Company.

**Convertible bonds**

As at 30 April 2019, the Group had outstanding unsecured and unguaranteed convertible bonds with an aggregate principal amount of approximately RMB2,879.8 million.

**Lease liabilities**

As at 30 April 2019, the Group, as a lessee, had outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB120.4 million in aggregate (excluding contingent rental arrangement), among which RMB66.6 million is secured by rental deposits and/or the lessor's charge over the leased assets and unguaranteed, while the remaining RMB53.8 million is unsecured and unguaranteed.

**Non-trade related amounts due to independent third parties (included in other payables)**

As at 30 April 2019, the Group had non-trade related amounts due to independent third parties (included in other payables) with principal amount of approximately RMB129.9 million, which were neither secured nor guaranteed.

**Financial guarantee contracts**

As at 30 April 2019, the Group had provided financial guarantees totaling approximately RMB44.5 million in favour of banks enabling the independent third parties to obtain secured bank borrowings. In addition, the Group had provided financial guarantees totaling approximately RMB254.4 million in respect of bank borrowings and accounts payables of a Group's joint venture. As at 30 April 2019, the Group had made provision of approximately RMB267.0 million for all these financial guarantee contracts.

**Contingent liabilities**

As at 30 April 2019, save as the unprovided amount of the financial guarantee contracts of RMB31.9 million, the Group had no other material contingent liabilities outstanding.



### General

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 30 April 2019.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 30 April 2019.

### III. WORKING CAPITAL

In order to reduce the Group's highly indebted position and enhance its liquidity, a development plan has been formulated by the Directors of the Company which comprises, inter alia, (i) the Disposal; (ii) seeking alternative refinancing and/or extension of due dates of the relevant debts with banks and financial institutions and convertible bondholders; and (iii) disposing certain of its solar power plants and/or subsidiaries that hold solar power plants (collectively the "**Development Plan**").

As part of the Development Plan, the Directors expect that the Disposal will proceed since the Disposal is contemplated to be in the interest of the Company and the owners of the Company as a whole. The Directors believe that by completing the Disposal, the Group can benefit from the improvement of its balance sheet position by reducing its debt level which, in turn, strengthen the Group's liquidity in the long term, details of which are set out in the section headed "Reasons for and Benefits of the Disposal" in the "Letter from the Board" of the Circular.

Upon completion of the Disposal, (1) the Group will receive cash payments of RMB1,945 million from the Purchaser, out of which RMB1,745 million shall be used to repay the amount due to the Disposal Group as soon as possible after the Purchaser has made the payment of RMB1,945 million; (2) the Purchaser will also assume the Company's borrowings from Sino Alliance partially for a principal amount of HK\$1,200 million (equivalent to RMB1,056 million); and (3) in addition, pursuant to the legally binding deed of waiver entered into on 24 March 2019 and the relevant supplementary agreement entered into on 15 May 2019, Peace Link, a company beneficially owned by Mr. Cheng, will waive the Third CB with a principal balance of HK\$1,948 million (equivalent to the pre-agreed rate of exchange of RMB1,546 million), which will be matured in April 2024. As such, the completion of the Disposal will significantly reduce the highly indebted position and finance costs of the Group, strengthen its liquidity in the long term and will enable the Group to focus on the development and expansion of its clean energy business.

The Directors, after due and careful enquiry and after taking into account the Development Plan and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available facilities, and based on the assumptions that the following events materialise, are of the opinion that the Group will have sufficient working capital for its present operating requirements and for at

least the next twelve months from the date of this circular. However, if any of the following matters does not materialise, it will have an adverse impact to the sufficiency and the Group will not have sufficient working capital for the next twelve months from the date of this circular.

**(i) Alternative refinancing and/or extension of due dates of the relevant debts**

Currently, the Group is also negotiating with banks, financial institutions and convertible bondholders to seek for refinancing and/or extension of due dates of the relevant debts as follows:

- (a) negotiating with banks and financial institutions for renewal of the loans from banks/financial institutions and extension of the maturity date:
- (i) the borrowings from Sino Alliance Capital Ltd. (“**Sino Alliance**”) and China Minsheng Banking Corporation Ltd. Hongkong Branch (“**CMBC-HK**”) have a corresponding outstanding principal balance of HK\$2,500 million (equivalent to RMB2,200 million) and HK\$980 million (equivalent to RMB862.4 million) (collectively the “**Outstanding Loans from Sino Alliance and CMBC-HK**”) as at 31 December 2018, which have been matured in December 2018. The management has successfully extended the maturity of the loan from CMBC-HK of HK\$980 million to August 2019 and based on the recent negotiation with CMBC-HK, CMBC-HK, with certain conditions, has initially expressed its intention to agree a further extension of the due date of 80% or above of its principal amount to 20 August 2020. The Company expects both parties to sign a formal extension agreement in August 2019. The management has also entered into a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance in March 2019, pursuant to which, the due dates of the first repayment of HK\$600 million (equivalent to RMB528 million) and the second repayment of HK\$700 million (equivalent to RMB616 million) have been extended to 31 March 2019 and 30 June 2019 respectively, while the remaining HK\$1,200 million (equivalent to RMB1,056 million) has been extended to 30 June 2019 or the completion date of the Disposal, whichever is earlier. The Group, the Purchaser, Mr. Cheng and Sino Alliance entered into another supplementary agreement dated 28 June 2019 to further extend the due dates, pursuant to which, with certain conditions, (a) HK\$500 million will be extended to 31 December 2019; (b) HK\$800 million will be extended to 31 December 2020; and (c) the remaining HK\$1,200 million will be extended to 30 September 2020 or transferred to the Purchaser upon completion of the Disposal, whichever is earlier; and

- (ii) out of the other short-term bank and other borrowings (excluding the Outstanding Loans from Sino Alliance and CMBC-HK) with a carrying amount of RMB3,007 million as at 31 December 2018, RMB611 million has matured on the Latest Practicable Date and has been successfully renewed for a period of not less than 12 months. The management of the Group is confident that a significant portion of the Group's bank and other borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing expiring debts;
- (b) negotiating with banks not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had breached certain financial covenants, which amounted to a total of RMB1,092 million as at 31 December 2018. The management of the Group is confident that these banks will not demand for immediate repayment based on our negotiations with these banks;
- (c) negotiating with the remaining Unsettled Bondholder A (as defined below) and Unsettled Bondholder B (as defined below) of the Fourth CB (as defined below) to extend the maturity:

With respect to the outstanding principal of the convertible bonds of HK\$868.4 million due on 15 June 2019 (the "**Fourth CB**") with 21 bondholders (who are third parties independent of, and not connected with the Company), the Company has fully paid the last interest of HK\$17 million to all bondholders on the maturity date and repaid in full to 1 bondholder with principal amount of HK\$30 million up to the Latest Practicable Date.

The Company entered into settlement agreements and subscription agreements with 19 bondholders on 15 June 2019, and the Company agreed to repay partially to the 19 bondholders in aggregate for HK\$264.2 million (the "**Partial Repayment**"), and upon payment of the Partial Repayment, the 19 bondholders will agree to waive all their rights under the original terms and conditions in relation to the Fourth CB for the remainder of the principal amount and any interests payable by the Company, and will then proceed with the subscription of unlisted notes for the remainder of the aggregated unpaid principal amount, totaling HK\$564.2 million, which will be redeemed by the Company on 20 December 2019.

In summary, up to the Latest Practicable Date, in respect of the Fourth CB of HK\$868.4 million due on 15 June 2019, the Company has (a) made full repayment to 1 bondholder of HK\$30 million, (b) completed the Partial Repayment of HK\$214.2 million to 18 bondholders and successfully converted the outstanding Fourth CB to unlisted notes of HK\$214.2 million; (c) only made HK\$3 million out of the total agreed partial repayment of HK\$50 million to 1 bondholder ("**Unsettled Bondholder A**") with total outstanding principal balance of HK\$397 million outstanding; and (d) been

in negotiation with 1 bondholder (“**Unsettled Bondholder B**”) to agree the repayment of the outstanding principal balance of HK\$10 million prior to 4 July 2019.

In respect of items (c) and (d) above, the Company has (i) obtained oral consent from Unsettled Bondholder A that the Company will repay the shortfall of HK\$47 million in respect of the agreed amount of partial repayment prior to 15 July 2019 and then to proceed with the subscription of unlisted notes of HK\$350 million; and (ii) obtained oral consent from Unsettled Bondholder B for the full repayment of HK\$10 million prior to 4 July 2019, and therefore the Company is confident that the repayment of the outstanding amount of HK\$350 million due to Unsettled Bondholder A can be successfully extended to 20 December 2019 and no dispute will be resulted from Unsettled Bondholder B.

- (d) negotiating with banks and financial institutions to obtain approval to drawdown borrowings under the available facilities and/or obtain additional credit facilities. The management of the Group is of the view that the Group is able to obtain new or additional financing from banks and financial institutions by pledging its available assets as collaterals.

**(ii) Dispose of its certain solar power plants and/or subsidiaries that hold solar power plants**

The Group has also considered disposing of its certain solar power plants and/or subsidiaries that hold solar power plants as its remedial action plan. Under this circumstance, the Group plans to immediately resume negotiation with the interested buyers, who had submitted letters of intent or demonstrated interests to the Group’s solar power plants, and also plans to start sourcing any additional new potential buyers of its solar power plants in order to prevent the Group from any shortage of fund that might expect. As disclosed in the announcement made by the Company published on 25 April 2019, the Group is currently in preliminary discussions with certain potential investors in respect of the possible disposal of certain solar power plants located in the PRC with an aggregate capacity of approximately 300 megawatt (which equals to 300,000,000 watts). The Group intends to sell either partly, wholly or in such proportion as to be negotiated and agreed, of such solar power plants to one or more investors, and the consideration are to be negotiated by parties to the transaction with reference to a reasonable market price. The Group is also actively considering, either as part of or separate from the aforesaid disposal of solar power plants, to raise funds for the Group by other ways, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate.

In addition, as part of the remedial plan, the Group has also considered negotiating with other banks and financial institutions requesting to delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders), in order to enable the Group to have adequate time to obtain proceed from the disposal of solar power plants that might require and adequate working capital to repay the maturing debts from time to time.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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*The following is the text of a report, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.*

### **REPORT ON REVIEW OF UNAUDITED HISTORICAL FINANCIAL INFORMATION OF THE DISPOSAL GROUP**

TO THE BOARD OF DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED (THE “COMPANY”)

(incorporated in the Cayman Islands with limited liability)

#### **Introduction**

We have reviewed the unaudited historical financial information of Jiangsu Shunfeng Photovoltaic Technology Company Limited (the “Disposal Company”), a 100% owned subsidiary of the Company, and its subsidiaries (collectively referred to as the “Disposal Group”) set out on pages II-4 to II-30, which comprise the unaudited condensed consolidated statements of financial position as of 31 December 2016, 2017 and 2018 and the unaudited condensed consolidated statements of profit or loss and other comprehensive income, the unaudited condensed consolidated statements of changes in equity and the unaudited condensed consolidated statements of cash flows for each of the years ended 31 December 2016, 2017 and 2018, and certain explanatory notes (the “Historical Financial Information”). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the Disposal Group in accordance with paragraph 68(2)(a)(i)(A) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”).

The directors of the Company are responsible for the presentation and preparation of the Historical Financial Information of the Disposal Group in accordance with the basis of preparation set out in notes 2 to 3 to the Historical Financial Information and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rule. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by Hong Kong Institute of Certified Public Accountants. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 2 to 3 to the Historical Financial Information.

### Material Uncertainty Related To Going Concern

Without qualifying our review conclusion, we draw attention to note 3 to the Historical Financial Information, which indicates that as of 31 December 2018, the Disposal Group’s current liabilities exceeded its current assets by RMB241,287,000. In addition, the Disposal Group had capital commitments, contracted for but not provided in the Historical Financial Information, amounting to RMB362,011,000. As at 31 December 2018 and date of this report, the entire equity interest in each of the Disposal Company, Wuxi Suntech Power Co., Ltd. (“Wuxi Suntech”) and Meteocontrol International Limited (an indirectly wholly-owned subsidiary of the Disposal Company) and certain property, plant and equipment held by Wuxi Suntech (collectively referred to as the “Pledged Shares and Assets”) have been pledged by the Group in order to obtain bank and other borrowings from Sino Alliance Capital (“Sino Alliance”) and China Mingsheng Banking Corporation Ltd, Hong Kong Branch (“CMBC-HK”) with the outstanding principal balance of HK\$2,500,000,000 and HK\$980,000,000 (collectively the “Outstanding Loans from Sino Alliance and CMBC-HK”), respectively. The Pledged Shares and Assets, as one of the conditions precedent, is required to be released prior to the completion of the Disposal (as defined in note 1). The Outstanding Loans from Sino Alliance and CMBC-HK have been matured in December 2018. The management has successfully extended the maturity of the loan from CMBC-HK of HK\$980,000,000 to August 2019 and based on the recent negotiation with CMBC-HK, CMBC-HK, with certain conditions, has initially expressed its intention to agree a further extension of the due date of 80% or above of its principal amount to 20 August 2020. The Company expects both parties to sign a formal extension agreement in August 2019. The management has also entered into a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance in March 2019, pursuant to which, the due dates of the first repayment of HK\$600,000,000 and the second repayment of HK\$700,000,000 have been extended to 31 March 2019 and 30 June 2019 respectively, while the remaining HK\$1,200,000,000 has been extended to 30 June 2019 or the

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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completion date of the disposal of the Disposal Group, whichever is earlier. The Group, Asia Pacific Resources Development Investment Limited (the “Purchaser”), Mr. Cheng King Ming, a substantial shareholder of the Company and 100% owner of the Purchaser (“Mr. Cheng”), and Sino Alliance entered into another supplementary agreement dated 28 June 2019 to further extend the due dates, pursuant to which, with certain conditions, (a) HK\$500 million will be extended to 31 December 2019; (b) HK\$800 million will be extended to 31 December 2020; and (c) the remaining HK\$1,200 million will be extended to 30 September 2020 or transferred to the Purchaser upon completion of the Disposal, whichever is earlier. As stated in note 3, these conditions along with other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Disposal Group’s ability to continue as a going concern.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30 June 2019

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Revenue	7,377,306	8,617,814	8,967,528
Cost of sales	<u>(6,199,256)</u>	<u>(7,583,998)</u>	<u>(7,741,714)</u>
Gross profit	1,178,050	1,033,816	1,225,814
Other income	157,583	252,252	294,848
Other gains and losses and other expenses	(141,674)	85,903	(700,980)
Impairment losses, net of reversal	(169,065)	(84,251)	(152,283)
Distribution and selling expenses	(364,487)	(328,206)	(583,074)
Administrative expenses	(345,254)	(371,718)	(384,247)
Research and development expenditure	(101,754)	(103,659)	(103,098)
Share of (losses) gains of associates	(6,473)	(4,997)	6,464
Share of gains of joint ventures	964	8,044	21,194
Finance costs	<u>(75,131)</u>	<u>(65,241)</u>	<u>(97,787)</u>
<b>Profit (loss) before tax</b>	132,759	421,943	(473,149)
Income tax credit (expense)	<u>20,111</u>	<u>(65,759)</u>	<u>(123,369)</u>
<b>Profit (loss) for the year</b>	<u>152,870</u>	<u>356,184</u>	<u>(596,518)</u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures	8,454	1,591	757
Exchange differences on translating foreign operations	3,518	41,981	(2,287)
Fair value loss on receivables at fair value through other comprehensive income ("FVTOCI")	<u>—</u>	<u>—</u>	<u>(1,938)</u>
<b>Other comprehensive income (expense) for the year</b>	<u>11,972</u>	<u>43,572</u>	<u>(3,468)</u>
<b>Total comprehensive income (expense) for the year</b>	<u>164,842</u>	<u>399,756</u>	<u>(599,986)</u>



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**APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP**

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	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company	152,823	356,188	(596,518)
Non-controlling interests	<u>47</u>	<u>(4)</u>	<u>–</u>
	<u>152,870</u>	<u>356,184</u>	<u>(596,518)</u>
<b>Total comprehensive income (expense) for the year attributable to:</b>			
Owners of the Company	164,834	399,645	(600,070)
Non-controlling interests	<u>8</u>	<u>111</u>	<u>84</u>
	<u><u>164,842</u></u>	<u><u>399,756</u></u>	<u><u>(599,986)</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	2,751,419	2,517,620	1,759,468
Solar power plants	670,885	493,726	421,321
Prepaid lease payments – non-current	222,315	218,465	212,782
Goodwill	6,237	6,237	–
Intangible assets	42,468	36,136	32,376
Interests in associates	134,777	123,017	118,855
Interests in joint ventures	5,864	13,908	197,976
Available-for-sale investments – non-current	8,920	100	–
Financial assets at fair value through profit or loss (“FVTPL”)	–	–	100
Other non-current assets	744,396	809,333	699,974
Deferred tax assets	261,010	213,608	93,902
Amount due from the Remaining Group	<u>727,923</u>	<u>765,225</u>	<u>1,238,361</u>
	<u>5,576,214</u>	<u>5,197,375</u>	<u>4,775,115</u>
<b>Current assets</b>			
Inventories	524,434	640,561	933,509
Trade and other receivables	1,273,368	1,609,151	1,566,320
Amount due from the Remaining Group	70,110	65,982	57,557
Contract assets	–	–	38,294
Receivables at FVTOCI	–	–	230,726
Prepaid lease payments – current	5,811	5,811	5,811
Value-added tax recoverable	26,251	43,305	50,005
Tax recoverable	–	3,544	5,990
Prepayments to suppliers	539,980	799,430	797,558
Amount due from associates	19,953	5,744	160
Amount due from a joint venture	–	–	9,261
Available-for-sale investments – current	20,000	–	–
Restricted bank deposits	751,732	656,064	1,615,581
Bank balances and cash	<u>306,502</u>	<u>519,534</u>	<u>638,854</u>
	<u>3,538,141</u>	<u>4,349,126</u>	<u>5,949,626</u>

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Current liabilities</b>			
Trade and other payables	2,159,979	2,396,796	4,308,338
Amount due to the Remaining Group	412	777	1,927
Customers' deposits received	158,042	160,209	–
Contract liabilities	–	–	328,600
Amount due to a joint venture	–	–	127,374
Obligations under finance leases	40,620	42,629	38,943
Provisions	775,518	786,953	750,773
Tax liabilities	9,307	4,295	4,867
Bank and other borrowings	563,736	545,685	625,339
Deferred income	10,304	11,086	4,752
	<u>3,717,918</u>	<u>3,948,430</u>	<u>6,190,913</u>
<b>Net current (liabilities) assets</b>	<u>(179,777)</u>	<u>400,696</u>	<u>(241,287)</u>
<b>Total assets less current liabilities</b>	<u><u>5,396,437</u></u>	<u><u>5,598,071</u></u>	<u><u>4,533,828</u></u>
<b>Capitals and reserves</b>			
Paid-in capital	4,835,512	4,835,512	5,160,000
Reserves	28,150	231,339	(1,058,563)
<b>Equity attributable to owners of the Company</b>	4,863,662	5,066,851	4,101,437
Non-controlling interests	(195)	(84)	–
<b>Total equity</b>	<u>4,863,467</u>	<u>5,066,767</u>	<u>4,101,437</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	41,994	42,913	34,608
Bank and other borrowings	362,107	401,726	355,056
Obligations under finance leases	102,604	66,852	27,909
Deferred income	26,265	19,813	14,818
	<u>532,970</u>	<u>531,304</u>	<u>432,391</u>
	<u><u>5,396,437</u></u>	<u><u>5,598,071</u></u>	<u><u>4,533,828</u></u>

**APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company									
	Paid-in capital RMB'000	Other reserve RMB'000 <i>(note a)</i>	Special reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	FVTOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
<b>At 1 January 2016</b>	<b>4,835,512</b>	<b>(659,640)</b>	<b>(2,151)</b>	<b>(13,910)</b>	<b>30,744</b>	<b>-</b>	<b>686,976</b>	<b>4,877,531</b>	<b>(203)</b>	<b>4,877,328</b>
Profit for the year	-	-	-	-	-	-	152,823	152,823	47	152,870
Other comprehensive income (expense) for the year	-	-	-	12,011	-	-	-	12,011	(39)	11,972
Total comprehensive income for the year	-	-	-	12,011	-	-	152,823	164,834	8	164,842
Capital injection of a group entity under the Reorganisation <i>(note b)</i>	-	10,557	-	-	-	-	-	10,557	-	10,557
Deemed distribution arising from imputed interest on amount due from the Remaining Group	-	(189,260)	-	-	-	-	-	(189,260)	-	(189,260)
<b>At 31 December 2016</b>	<b>4,835,512</b>	<b>(838,343)</b>	<b>(2,151)</b>	<b>(1,899)</b>	<b>30,744</b>	<b>-</b>	<b>839,799</b>	<b>4,863,662</b>	<b>(195)</b>	<b>4,863,467</b>
Profit (loss) for the year	-	-	-	-	-	-	356,188	356,188	(4)	356,184
Other comprehensive income for the year	-	-	-	43,457	-	-	-	43,457	115	43,572
Total comprehensive income for the year	-	-	-	43,457	-	-	356,188	399,645	111	399,756
Capital injection of a group entity under the Reorganisation <i>(note b)</i>	-	2,502	-	-	-	-	-	2,502	-	2,502
Deemed distribution arising from imputed interest on amount due from the Remaining Group	-	(198,958)	-	-	-	-	-	(198,958)	-	(198,958)
<b>At 31 December 2017</b>	<b>4,835,512</b>	<b>(1,034,799)</b>	<b>(2,151)</b>	<b>41,558</b>	<b>30,744</b>	<b>-</b>	<b>1,195,987</b>	<b>5,066,851</b>	<b>(84)</b>	<b>5,066,767</b>

**APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company								
	Paid-in capital	Other reserve	Special reserve	Exchange reserve	Statutory surplus reserve	FVTOCI reserve	Retained earnings	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2017</b>	<b>4,835,512</b>	<b>(1,034,799)</b>	<b>(2,151)</b>	<b>41,558</b>	<b>30,744</b>	<b>-</b>	<b>1,195,987</b>	<b>(84)</b>	<b>5,066,851</b>
Adjustments (note 4)	-	-	-	-	-	538	(30,408)	-	(29,870)
<b>At 1 January 2018 (restated)</b>	<b>4,835,512</b>	<b>(1,034,799)</b>	<b>(2,151)</b>	<b>41,558</b>	<b>30,744</b>	<b>538</b>	<b>1,165,579</b>	<b>(84)</b>	<b>5,036,981</b>
Loss for the year	-	-	-	-	-	-	(596,518)	-	(596,518)
Other comprehensive (expense) income for the year	-	-	-	(1,614)	-	(1,938)	-	84	(3,468)
Total comprehensive (expense) income for the year	-	-	-	(1,614)	-	(1,938)	(596,518)	84	(599,986)
Deemed distribution arising from imputed interest on amount due from the Remaining Group	-	(321,974)	-	-	-	-	-	-	(321,974)
Completion of the Reorganisation (as defined in note 2) (note c)	-	(13,500)	-	-	-	-	-	-	(13,500)
Capitalisation of retained earnings (note d)	324,488	-	-	-	-	-	(324,488)	-	-
<b>At 31 December 2018</b>	<b>5,160,000</b>	<b>(1,370,273)</b>	<b>(2,151)</b>	<b>39,944</b>	<b>30,744</b>	<b>(1,400)</b>	<b>244,573</b>	<b>-</b>	<b>4,101,437</b>

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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*Notes:*

- (a) Other reserves mainly comprised the accounting impact of the following events/transactions:
- (i) The Disposal Company acquired 72.4% equity interest in Changzhou Shunfeng Photovoltaic Materials Co., Ltd. (“Shunfeng Materials”) and the entire equity interest in Wuxi Suntech Power Co., Ltd. (“Wuxi Suntech”) from the Company in November 2015 and December 2015, respectively. As Wuxi Suntech and Shunfeng Materials were under common control of the Company immediately before and after the respective acquisition, the Historical Financial Information has been prepared using the principles of merger accounting as set out in note 4. The differences between the carrying amounts of net assets shown in the financial statements of Wuxi Suntech and Shunfeng Materials and the respective consideration was reflected in other reserves;
  - (ii) The Group has completed the Reorganisation (as defined in note 2) in November 2018, pursuant to which certain group entities, which were engaged in the manufacturing and sales of solar product business but are not subsidiaries of the Disposal Company prior to the Reorganisation, was transferred to the Disposal Group, details of which are set out in note 2. As these group entities were under common control of the Company immediately before and after the Reorganisation, the Historical Financial Information has been prepared using the principles of merger accounting as set out in note 4.  
  
For the purpose of presentation of the unaudited condensed consolidated statements of financial position, (1) the aggregate amount of paid-in capital of these group entities was reflected in other reserves as at 1 January 2016, 31 December 2016 and 2017, when the Reorganisation has not been completed while (2) the difference between the aggregate amount of paid-in capital of these group entities and the aggregated consideration was reflected in other reserve as at 31 December 2018, when the Reorganisation has been completed; and
  - (iii) The Disposal Group provided interest-free loans to the Remaining Group as at 31 December 2016, 2017 and 2018. The difference between the present value of the amount due from the Remaining Group based on expected repayment term and the principal amounts is accounted for as deemed distribution to the Remaining Group.
- (b) During the year ended 31 December 2016 and 2017, the paid-in capital of Shanghai Lvjing (as defined in note 2) increased by RMB10,557,000 and RMB2,502,000, respectively.
- (c) The Group has completed the Reorganisation (as defined in note 2) in November 2018, pursuant to which certain group entities, which were engaged in the manufacturing and sales of solar product business but are not subsidiaries of the Disposal Company prior to the Reorganisation, was transferred to the Disposal Group, details of which are set out in note 2. The aggregated consideration payable by the Disposal Company in relation to the Reorganisation is RMB13,500,000, which has not been settled as at 31 December 2018.
- (d) Pursuant to the resolutions of the Disposal Company’s sole shareholder, the Disposal Company, in June 2018, increased its paid-in capital by RMB324,488,000 by way of capitalisation the respective amount from retained earnings of the Disposal Company (“Capitalisation Issue”). Upon the completion of the Capitalisation Issue, the paid-in capital of the Company increased to RMB5,160,000,000.

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Net cash from operating activities</b>	<u>402,145</u>	<u>516,138</u>	<u>2,203,454</u>
<b>Investing activities</b>			
Withdrawal of restricted bank deposits	1,046,123	659,876	594,387
Placement of restricted bank deposits	(1,105,323)	(564,208)	(1,553,904)
Bank interest income received	9,766	7,267	17,392
Payments of prepaid lease payment	–	(1,960)	–
Payments of property, plant and equipment	(209,958)	(389,401)	(214,138)
Payment for construction cost in respect of solar power plants	(541,841)	(183,581)	(97,183)
Purchases of available-for-sale investments	(20,000)	–	–
Purchases of intangible assets	(6,470)	(1,440)	(1,340)
Proceeds on disposal of property, plant and equipment	11,027	7,558	23,020
Proceeds on disposal of solar power plants	–	–	24,499
Proceeds on disposal of interest in associates	–	9,362	–
Proceeds on partial disposal of meteocontrol Electric Power (as defined in note 23 in the annual report of 2018)	–	–	2,200
Proceeds on disposal of available-for-sale investments previously disposed of	–	11,000	–
Proceeds on disposal of available-for-sale investments	20,486	28,820	–
Proceeds on disposal of subsidiaries	–	15,724	61,302
Capital contribution to associates	–	(10,000)	(150)
Capital contribution to joint ventures	(4,900)	–	(180,000)
Loan advanced to independent third parties	(66,037)	(320,518)	(37,886)
Loan repayment from independent third parties	–	242,277	54,412
Loan advanced to the Remaining Group	(632,456)	(662,325)	(669,692)
Loan repayment from the Remaining Group	23,562	605,352	–
Settlement received from amounts due from disposed subsidiaries	–	229,582	–
Receipt of consideration receivable in respect of subsidiaries previously disposed	–	–	8,913
Dividend received from an associate	–	–	200
Dividend received from a joint venture	–	–	10,845
<b>Net cash used in investing activities</b>	<u>(1,476,021)</u>	<u>(316,615)</u>	<u>(1,957,123)</u>

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**APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP**


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	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Financing activities</b>			
New bank and other borrowings raised	1,133,134	963,914	922,210
Repayment of bank and other borrowings	(1,224,351)	(941,546)	(761,210)
Interest paid	(57,862)	(54,574)	(59,754)
Repayment of obligations under finance leases	(50,370)	(44,410)	(50,382)
Acquisition of a group entity	(61,036)	–	–
Advance from independent third parties	50,133	82,751	18,177
Repayment to independent third parties	–	(29,621)	(198,931)
Capital injection of group entities under the Reorganisation	<u>10,557</u>	<u>2,502</u>	<u>–</u>
<b>Net cash used in financing activities</b>	<u>(199,795)</u>	<u>(20,984)</u>	<u>(129,890)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(1,273,671)</u>	<u>178,539</u>	<u>116,441</u>
Cash and cash equivalents at beginning of the year	1,567,519	306,502	519,534
Effect of foreign exchange rate changes	<u>12,654</u>	<u>34,493</u>	<u>2,879</u>
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	<u><u>306,502</u></u>	<u><u>519,534</u></u>	<u><u>638,854</u></u>



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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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### NOTES TO THE UNAUDITED HISTORICAL FINANCIAL INFORMATION OF THE DISPOSAL GROUP

#### 1. BACKGROUND AND GENERAL INFORMATION

Shunfeng International Clean Energy Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together with the Company hereinafter referred to as the “Group”) are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

On 10 December 2018, the Company entered into a share transfer agreement (the “Share Transfer Agreement”) with Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), a company with limited liability which is 100% owned and controlled by Mr. Cheng Kin Ming, a substantial shareholder of the Company, (the “Purchaser”), pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interest of Jiangsu Shunfeng Photovoltaic Technology Company Limited (江蘇順風光電科技有限公司) (hereafter referred to as the “Disposal Company”) and its subsidiaries (hereafter collectively referred to as the “Disposal Group”) from the Company (the “Disposal”).

The Disposal Group are principally engaged in (a) the business of manufacturing and sales of solar product; (b) the overseas plants business, being the construction, operations and sale of solar power plants in Europe and Japan; and (c) plant management business, being the power plant management and energy solution services that are primarily provided via a German headquartered subsidiary of the Disposal Company. Upon the completion of the Disposal, the Group will cease to have control over the Disposal Group and the business strategy of the remaining Group (the “Remaining Group”) is: (a) to continue to operate solar power generation business in the PRC; (b) to develop and operate other clean energy power generation business such as nuclear energy; and (c) to continue to operate the manufacturing business of LED (an energy efficient lighting device).

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company and the Disposal Company.

#### 2. REORGANISATION AND BASIS OF PRESENTATION

In preparing for the Disposal, the Group has completed a series of group reorganisation prior the completion of the Disposal (the “Reorganisation”), pursuant to which certain group entities, which were engaged in the manufacturing and sales of solar product business but are not subsidiaries of the Disposal Company prior to the Reorganisation, was transferred to the Disposal Group. Historically, all the entities comprising the Disposal Group were controlled by the Company and held by the Company directly or indirectly.

The major steps of the Reorganisation comprised the following:

- (i) In October 2018, Shunfeng Investments Limited (順風環球投資有限公司) (“SF Investments”) acquired entire equity interest in Long Sun (China) Limited (隆盛(中國)有限公司) (“Long Sun”) and Shunfeng Trading Limited (順風環球貿易有限公司) (“SF Trading”) from Shunfeng Photovoltaic Holdings Limited (順風光電控股有限公司) (“SF Holding”) (a directly wholly-owned subsidiary of the Company) and the Company at the consideration of RMB7,500,000 and RMB6,000,000, respectively. As a result, each of Long Sun and SF Trading became a directly wholly-owned subsidiary of SF Investments.
- (ii) In October 2018, the Company acquired the entire equity interest in Success Win Global Investments Ltd. (“Success Win”) from SF Investments at the consideration of USD1. As a result, Success Win became a directly wholly-owned subsidiary of the Company.
- (iii) In November 2018, Shunfeng Suntech Deutschland GmbH, a directly wholly-owned subsidiary of the Disposal Company, acquired the entire equity interest in SF Investments from the Company at the consideration of USD1. As a result, SF Investments became an indirectly wholly-owned subsidiary of the Disposal Company.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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- (iv) In November 2018, Wuxi Suntech, a directly wholly-owned subsidiary of the Disposal Company, acquired entire equity interest in Shanghai Shunfeng Lvjing New Energy Technology Co., Ltd. 上海順風綠景新能源科技有限公司 (“Shanghai Lvjing”) from SF Holding at the consideration of USD1. As a result, Shanghai Lvjing became an indirectly wholly-owned subsidiary of the Disposal Company.

The Group completed the Reorganisation steps as described above in November 2018, the Disposal Company since then became the holding company of the companies now comprising the Disposal Group.

The relevant companies are under common control of the Company immediately before and after the Reorganisation. Accordingly, the unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows for the periods presented have been prepared to present the results, change in equity and cash flows of the companies now comprising the Disposal Group, as if the Group structure upon the completion of the Reorganisation had been in existence throughout the periods presented, or since the respective dates of incorporation or acquisition, where there are shorter periods. The unaudited condensed consolidated statements of financial position of the Disposal Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Disposal Group at the carrying amounts shown in the financial statements of the Group entities, as if the Group structure upon the completion of the Reorganisation had been in existence at those dates, taking into account the respective dates of incorporation or acquisition, where applicable.

### 3. GOING CONCERN ASSUMPTION AND BASIS OF PREPARATION

#### Going concern assumption

The directors of the Company have given careful consideration to the going concern of the Disposal Group. As of 31 December 2018, the Disposal Group’s current liabilities exceeded its current assets by RMB241,287,000. In addition, the Disposal Group had capital commitments, contracted for but not provided in the Historical Financial Information, amounting to RMB362,011,000.

In respect of the bank and other borrowings with carrying amount of RMB625,339,000 as at 31 December 2018, which will be matured in the coming next 12 months in accordance with the scheduled repayment date of the borrowing agreements. The management has currently commenced negotiation with the financial institutions and counterparties for renewal of the borrowings or extension of the maturity date.

Based on the historical successful experience and the current negotiations with the counterparties, the directors of the Company are confident that, the Disposal Group’s bank borrowings amounting to RMB435,015,000, would be able to renew or extend their maturity date to at least twelve months from the date of the Historical Financial Information. Up to the date of this report, the Disposal Group had bank and other borrowings totalling RMB425,880,000 been successfully renewed or with their maturity extended to at least twelve months from the date of the Historical Financial Information.

In addition, as at 31 December 2018, the Disposal Group had bank and other borrowings totalling RMB190,324,000, which were guaranteed by and/ or pledged with the assets held by and/ or shares of the group entities of the Remaining Group, the directors of the Company are currently in negotiation with the banks and financial institutions whether immediate repayment of them is required prior to the completion of the Disposal. The directors of the Company had assumed immediate repayment of them is required when they assess the Disposal Group’s ability to continue as a going concern. Up to the date of this report, the Group had already repaid such bank and other borrowings totalling RMB81,455,000.

As at 31 December 2018 and date of this report, the entire equity interest in each of the Disposal Company, Wuxi Suntech and Meteorcontrol International Limited (an indirectly wholly-owned subsidiary of the Disposal Company) and certain property, plant and equipment held by Wuxi Suntech (collectively referred to as the “Pledged Shares and Assets”) have been pledged by the Group in order to obtain bank and other borrowings from Sino Alliance Capital (“Sino Alliance”) and China Mingsheng Banking Corporation Ltd, Hong Kong Branch (“CMBC-HK”) with the outstanding principal balance of HK\$2,500,000,000 and HK\$980,000,000 (collectively the “Outstanding Loans from Sino Alliance and CMBC-HK”), respectively. The Pledged Shares and Assets, as one of the conditions precedent, is required to be released prior to the completion of the Disposal. The Outstanding Loans from Sino Alliance and

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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CMBC-HK have been matured in December 2018. The management has successfully extended the maturity of the loan from CMBC-HK of HK\$980,000,000 to August 2019 and based on the recent negotiation with CMBC-HK, CMBC-HK, with certain conditions, has initially expressed its intention to agree a further extension of the due date of 80% or above of its principal amount to 20 August 2020. The Company expects both parties to sign a formal extension agreement in August 2019. The management has also entered into a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance in March 2019, pursuant to which, the due dates of the first repayment of HK\$600,000,000 and the second repayment of HK\$700,000,000 have been extended to 31 March 2019 and 30 June 2019 respectively, while the remaining HK\$1,200,000,000 has been extended to 30 June 2019 or the completion date of the Disposal, whichever is earlier. The Group, the Purchaser, Mr. Cheng and Sino Alliance entered into another supplementary agreement dated 28 June 2019 to further extend the due dates, pursuant to which, with certain conditions, (a) HK\$500 million will be extended to 31 December 2019; (b) HK\$800 million will be extended to 31 December 2020; and (c) the remaining HK\$1,200 million will be extended to 30 September 2020 or transferred to the Purchaser upon completion of the Disposal, whichever is earlier.

Since the Disposal are contemplated in the interest of the Company and the owners of the Company as a whole, and will be able to largely reduce the Group's overall highly indebted position and reduce the finance costs, the directors of the Company expect the Disposal will be proceeded, and at that time, the Pledged Shares and Assets will be released and the Group's financial position will be improved by reducing its debt level and discharge upcoming repayment obligations. In case the Group defaults on the repayment of the Outstanding Loans from Sino Alliance and CMBC-HK before the completion of the Disposal, the Disposal Group may have loss caused from the Pledged Shares and Assets.

However, the Group has considered alternative refinancing and/or extension of due dates of the relevant debts, as well as to dispose of its certain solar power plants and/or subsidiaries that hold solar power plants to reduce the Group's highly indebted position and enhance its liquidity. In addition, the Group has also considered to negotiate with certain banks and financial institutions requesting to delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders), in order to enable the Group to have adequate time to obtain proceed from the disposal of solar power plants that might require and adequate working capital to repay the maturing debts from time to time. As such, in the opinion of the directors of the Company, it is unlikely that the Disposal Group would have any material loss caused from the Pledged Shares and Assets for the Outstanding Loans from Sino Alliance and CMBC-HK.

Taking into account the above factors, the directors are of the opinion that, together with the internal financial resources of the Disposal Group, the Disposal Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the Historical Financial Information. Hence, the Historical Financial Information has been prepared on a going concern basis.

### **Basis of preparation**

The Historical Financial Information of Disposal Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the Disposal Group. It does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

## **4. PRINCIPAL ACCOUNTING POLICIES**

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The Historical Financial Information has been prepared in accordance with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2016, 2017 and 2018.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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### Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The unaudited condensed consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

### Changes in accounting policies

The following amended standards are mandatory for the Disposal Group's financial year beginning on or after 1 January 2018 and are adopted by the Disposal Group on 1 January 2018:

- (i) International Financial Reporting Standards ("IFRS") 9 Financial Instruments; and
- (ii) IFRS 15 Revenue from Contracts with Customers.

In addition, the Disposal Group also applied Amendments to International Accounting Standard ("IAS") 7 "Disclosure Initiative" prospectively for the financial year beginning on or after 1 January 2017.

At the date of this report, the Disposal Group has not early applied IFRS 16 Leases, which has been issued but not yet effective.

### 4.1 IFRS 15 Revenue from Contracts with Customers

The Disposal Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Disposal Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Disposal Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Disposal Group recognises revenue from the following major sources which arise from contracts with customers:

#### *Sales of solar cells, solar modules, photovoltaic systems ("PV Systems") and related products (collectively known as "Solar Products")*

In respect of sales of Solar Products, the Disposal Group recognises the revenue at a point in time when there is persuasive evidence that the control of Solar Products has been transferred to the customer, the customer has adequate control over the product and the Disposal Group has no unfulfilled obligations that effect customer acceptance products.

#### *Sales of electricity*

Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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The revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across countries and can be adjusted by the government. It is currently settled by private electric power companies for the electricity generated by the solar power plants on a monthly basis.

### *Tariff Subsidy*

Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Disposal Group's solar power generation business. Tariff subsidy is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Disposal Group will comply with all attached conditions, if any.

The revenue from tariff subsidy is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidy to the solar power plants operators and the revenue from sales of electricity.

### *Installation services of PV systems*

The Disposal Group's contractual performance is delivering service to certain distributed solar power plants, which are often built on rooftop of buildings owned by the customers and small in scale. The Disposal Group provided the installation services on the rooftop of the buildings at the request of the customers. The Disposal Group recognises the revenue over time by reference to the progress towards the satisfaction of stage of completion.

### *Provision of Plant Operation and Services (as defined below)*

Provision of solar plant operation related services, representing the operation of an internet monitoring portal which enables the generation of yield reports, solar energy forecasts, system ratings, satellite-controlled historic and current solar irradiation data, solutions for network management as well as services covering all aspects of plant operation, plant monitoring and plant optimisation, and in the longterm, the repowering, dismantling and recycling of plants ("Plant Operation and Services");

Revenue arising from the provision of Plant Operation and Services is recognised over time. The Disposal Group's contractual performance is responsible for the provision of Plant Operation and Services. The Disposal Group recognises revenue over the contract period on a monthly basis at the specified service fee in the service contracts.

#### *4.1.1 Revenue from contracts with customers (upon application of IFRS 15)*

Under IFRS 15, the Disposal Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Disposal Group's performance as the Disposal Group performs;
- the Disposal Group's performance creates and enhances an asset that the customer controls as the Disposal Group performs; or

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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- the Disposal Group's performance does not create an asset with an alternative use to the Disposal Group and the Disposal Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Disposal Group's right to consideration in exchange for goods or services that the Disposal Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Disposal Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Disposal Group's obligation to transfer goods or services to a customer for which the Disposal Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Disposal Group's performance in transferring control of goods or services.

### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Disposal Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Disposal Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Disposal Group is an agent).

The Disposal Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Disposal Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Disposal Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Disposal Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

### *Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Disposal Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Disposal Group recognises such costs (including sales commissions and market expansion fee) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

The Disposal Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

### 4.1.2 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the unaudited condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		<b>Carrying amounts previously reported at 31 December 2017 RMB'000</b>	<b>Reclassification RMB'000</b>	<b>Carrying amounts under IFRS 15 at 1 January 2018* RMB'000</b>
<b>Current Liabilities</b>				
Contract liabilities	<i>note</i>	–	160,209	160,209
Customers' deposits received	<i>note</i>	160,209	(160,209)	–

*Note:* As at 1 January 2018, cash received of RMB160,209,000 in respect of contracts in relation to the sales of Solar Product previously included in customers' deposits received were entirely reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Disposal Group's unaudited condensed consolidated statement of financial position as at 31 December 2018. Line items that were not affected by the changes have not been included.

Impact on the unaudited condensed consolidated statement of financial position of the Disposal Group as at 31 December 2018:

	<b>As reported as at 31 December 2018 RMB'000</b>	<b>Adjustments RMB'000</b>	<b>Amounts without application of IFRS 15 as at 31 December 2018 RMB'000</b>
<b>Current Assets</b>			
Trade and other receivables	1,566,320	38,294	1,604,614
Contract assets	38,294	(38,294)	–
<b>Current Liabilities</b>			
Customers' deposits received	–	328,600	328,600
Contract liabilities	328,600	(328,600)	–

### 4.2 IFRS 9 Financial Instruments

In the year ended 31 December 2018, the Disposal Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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The Disposal Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

### 4.2.1 Key changes in accounting policies resulting from application of IFRS 9

#### *Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL. The directors of the Company reviewed and assessed the Disposal Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Disposal Group's financial assets and the impacts thereof are detailed in note 4.2.2.

#### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.



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### *Receivables at FVTOCI*

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

### *Impairment of financial assets*

The Disposal Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, receivables at FVTOCI, receivables included in other non-current assets, amount due from an associate, amount due from a joint venture, bank balances, restricted bank deposits and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Disposal Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Disposal Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets is assessed individually for customers with significant balance and/or assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Disposal Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Disposal Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Disposal Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Disposal Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Disposal Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Disposal Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Disposal Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Disposal Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Disposal Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Disposal Group considers the changes in the risk that the specified debtor will default on the contract.

The Disposal Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### *Definition of default*

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Disposal Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Disposal Group, in full (without taking into account any collaterals held by the Disposal Group).

Irrespective of the above analysis, the Disposal Group considers that default has occurred when a financial asset is more than 90 days past due unless the Disposal Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

### *Write-off policy*

The Disposal Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Disposal Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the weighted average of the difference between all contractual cash flows that are due to the Disposal Group in accordance with the contract and all the cash flows that the Disposal Group expects to receive, with the respective risks of a default occurring as the weights, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Disposal Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Disposal Group expects to receive from the holder, the debtor or any other party.

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Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Disposal Group 's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for receivables at FVTOCI and financial guarantee contracts, the Disposal Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables.

### *Classification and measurement of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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### 4.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Notes	Unlisted equity investment classified as available-for- sale investment (Unaudited) RMB'000	Financial assets at FVTPL (Unaudited) RMB'000	Receivables at FVTOCI (Unaudited) RMB'000	Amortised cost (previously classified as loans and receivables (including bank balances and cash)) (Unaudited) RMB'000	Amount due from the Remaining Group (Unaudited) RMB'000	Financial guarantee (Unaudited) RMB'000	FVTOCI reserves (Unaudited) RMB'000	Retained earnings (Unaudited) RMB'000
Closing balance at 31 December 2017 – IAS 39 effect arising from initial application of IFRS 9:	100	–	–	1,609,151	831,207	(42,754)	–	1,195,987
<b>Reclassification</b>								
From available-for-sale investment (a)	(100)	100	–	–	–	–	–	–
From trade and bills receivables (b)	–	–	885,509	(885,509)	–	–	–	–
<b>Remeasurement</b>								
Impairment under ECL model (c)	–	–	–	(27,400)	–	–	3,008	(30,408)
From amortised cost to fair value (d)	–	–	(2,470)	–	–	–	(2,470)	–
<b>Opening balance at 1 January 2018</b>	<b>–</b>	<b>100</b>	<b>883,039</b>	<b>696,242</b>	<b>831,207</b>	<b>(42,754)</b>	<b>538</b>	<b>1,165,579</b>

(a) *From available-for-sale investments to financial assets at FVTPL*

At the date of initial application of IFRS 9, the Disposal Group's unlisted equity investment of RMB100,000 previously all measured at cost less impairment was reclassified from available-for-sale investments to financial assets at FVTPL.

(b) *Loans and receivables*

As part of the Disposal Group's cash flow management, a significant amounts of the receivables in relation to the Disposal Group's manufacturing and sales of Solar Products held by the Disposal Group whose objective is achieved by both collecting contractual cash flow, endorsing the bills to settle payments to supplier and discounting some of the bills receivables (received from customers for the settlement of the Disposal Group's trade receivables) to financial institutions before the bills are due for payment. The Disposal Group derecognises bills discounted on the basis that the Disposal Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, these receivables totalling RMB885,509,000 were reclassified to receivables at FVTOCI. The related fair value losses of RMB2,470,000 was adjusted to receivables at FVTOCI and equity as at 1 January 2018.

(c) *Impairment under ECL model*

The Disposal Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk

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characteristics as the trade receivables and contract assets for the same types of contracts. The Disposal Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Except for those which had been determined as credit impaired under IAS 39, loss allowances for other financial assets at amortised cost, including other receivables, restricted bank deposits, bank balances, amount due from associates and the Remaining Group, are measured on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB27,400,000 has been recognised against retained profits. The additional loss allowance is charged against the other receivables.

As at 1 January 2018, the additional credit loss of RMB3,008,000 in respect of receivables at FVTOCI has been recognised against retained profits, and debited FVTOCI reserve.

For outstanding financial guarantees provided to a former related party and an independent third party of RMB42,754,000, the Disposal Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

No loss allowance was recognised for amount due from an associate, restricted bank deposits and bank balances and cash as at 31 December 2017 and 1 January 2018. All loss allowances for financial assets (including trade receivables, other receivables and amount due from the Remaining Group) and financial guarantee contracts as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivable (Unaudited) RMB'000	Other receivable (Unaudited) RMB'000	Amount due from the Remaining Group (Unaudited) RMB'000	Financial guarantee contracts (Unaudited) RMB'000
At 31 December 2017 – IAS 39	210,072	218,153	201,318	(42,754)
Financial impact arising from initial application of IFRS 9	(99,787)	27,400	–	–
At 1 January 2018	<u>110,285</u>	<u>245,553</u>	<u>201,318</u>	<u>(42,754)</u>

(d) The net effects arising from the initial application of IFRS 9 on the carrying amount of interests in associates and joint ventures on the opening unaudited condensed consolidated financial statements and the unaudited condensed consolidated financial statements for the year was insignificant in the opinion of the directors of the Company.

## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

### 4.3 Impacts on opening unaudited condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening unaudited condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	<b>31 December 2017 (Unaudited) RMB'000</b>	<b>IFRS 15 RMB'000</b>	<b>IFRS 9 RMB'000</b>	<b>1 January 2018 (Restated) RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	2,517,620	–	–	2,517,620
Solar power plants	493,726	–	–	493,726
Prepaid lease payments – non-current	218,465	–	–	218,465
Goodwill	6,237	–	–	6,237
Intangible assets	36,136	–	–	36,136
Interests in associates	123,017	–	–	123,017
Interests in joint ventures	13,908	–	–	13,908
Available-for-sale investments – non-current	100	–	(100)	–
FVTPL	–	–	100	100
Other non-current assets	809,333	–	–	809,333
Deferred tax assets	213,608	–	–	213,608
Amount due from the Remaining Group	765,225	–	–	765,225
<b>Total Non-current assets</b>	<b>5,197,375</b>	<b>–</b>	<b>–</b>	<b>5,197,375</b>
<b>Current assets</b>				
Inventories	640,561	–	–	640,561
Trade and other receivables	1,609,151	–	(912,909)	696,242
Amount due from the Remaining Group	65,982	–	–	65,982
Prepaid lease payments – current	5,811	–	–	5,811
Value-added tax recoverable	43,305	–	–	43,305
Tax recoverable	3,544	–	–	3,544
Prepayments to suppliers	799,430	–	–	799,430
Amount due from an associate	5,744	–	–	5,744
Receivables at FVTOCI	–	–	883,039	883,039
Restricted bank deposits	656,064	–	–	656,064
Bank balances and cash	519,534	–	–	519,534
<b>Total Current assets</b>	<b>4,349,126</b>	<b>–</b>	<b>(29,870)</b>	<b>4,319,256</b>

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	<b>31 December 2017</b>	<b>IFRS 15</b>	<b>IFRS 9</b>	<b>1 January 2018</b>
	<b>(Unaudited)</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>(Restated)</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>				
Trade and other payables	2,396,796	–	–	2,396,796
Amount due to the Remaining Group	777	–	–	777
Customers' deposits received	160,209	(160,209)	–	–
Contract liabilities	–	160,209	–	160,209
Obligations under finance leases	42,629	–	–	42,629
Provisions	786,953	–	–	786,953
Tax liabilities	4,295	–	–	4,295
Bank and other borrowings	545,685	–	–	545,685
Deferred income	11,086	–	–	11,086
	<u>3,948,430</u>	<u>–</u>	<u>–</u>	<u>3,948,430</u>
<b>Net current assets</b>	<u>400,696</u>	<u>–</u>	<u>(29,870)</u>	<u>370,826</u>
<b>Total assets less current liabilities</b>	<u>5,598,071</u>	<u>–</u>	<u>(29,870)</u>	<u>5,568,201</u>
<b>Capital and reserves</b>				
Paid-in capital	4,835,512	–	–	4,835,512
Reserves	231,339	–	(29,870)	201,469
Equity attributable to owners of the Company	5,066,851	–	(29,870)	5,036,981
Non-controlling interests	(84)	–	–	(84)
<b>Total equity</b>	<u>5,066,767</u>	<u>–</u>	<u>(29,870)</u>	<u>5,036,897</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	42,913	–	–	42,913
Bank and other borrowings	401,726	–	–	401,726
Obligations under finance leases	66,852	–	–	66,852
Deferred income	19,813	–	–	19,813
	<u>531,304</u>	<u>–</u>	<u>–</u>	<u>531,304</u>
	<u>5,598,071</u>	<u>–</u>	<u>(29,870)</u>	<u>5,568,201</u>

#### 4.4 IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.



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## APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Disposal Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Disposal Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under IAS 17, the Disposal Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Disposal Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Disposal Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Disposal Group has non-cancellable operating lease commitments of RMB31,537,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Disposal Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Disposal Group currently considers refundable rental deposits paid of RMB374,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes would significantly increase the consolidated assets and consolidated liabilities of the Disposal Group but would not result in a significant impact on the financial performance of the Disposal Group upon adoption of IFRS 16.

The Disposal Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Disposal Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Disposal Group elected the modified retrospective approach for the application of IFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

### 5. ASSET RESTRUCTURING

Pursuant to the Share Transfer Agreement, as part of the Disposal, property, plant and equipment, prepaid lease payments and intangible assets with carrying amount of RMB137,007,000, RMB24,773,000 and RMB13,000, respectively, and relevant liabilities that related to solar power module manufacturing and operation and held by the Remaining Group as at 31 December 2018 would be transferred to the Disposal Group, the consideration of which has been included in the consideration for the Disposal (the “Asset Restructuring”). As these net assets under Asset Restructuring do not constitute a business as defined in IFRS 3, the Disposal Group does not present these net assets in the Historical Financial Information.

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### 6. PLEDGE ON THE EQUITY INTEREST AND ASSETS

As at 31 December 2018 and date of this report, the entire equity interest in each of the Disposal Company, Wuxi Suntech and Meteocontrol International Limited (an indirectly wholly-owned subsidiary of the Disposal Company) and certain property, plant and equipment held by Wuxi Suntech (collectively referred to as the “Pledged Shares and Assets”) have been pledged by the Group in order to obtain bank and other borrowings from Sino Alliance Capital (“Sino Alliance”) and China Mingsheng Banking Corporation Ltd, Hong Kong Branch (“CMBC-HK”) with the outstanding principal balance of HK\$2,500,000,000 and HK\$980,000,000 (collectively the “Outstanding Loans from Sino Alliance and CMBC-HK”), respectively. The Pledged Shares and Assets, as one of the conditions precedent, is required to be released prior to the completion of the Disposal. The Outstanding Loans from Sino Alliance and CMBC-HK have been matured in December 2018. The management has successfully extended the maturity of the loan from CMBC-HK of HK\$980,000,000 to August 2019 and based on the recent negotiation with CMBC-HK, CMBC-HK, with certain conditions, has initially expressed its intention to agree a further extension of the due date of 80% or above of its principal amount to 20 August 2020. The Company expects both parties to sign a formal extension agreement in August 2019. The management has also entered into a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance in March 2019, pursuant to which, the due dates of the first repayment of HK\$600,000,000 and the second repayment of HK\$700,000,000 have been extended to 31 March 2019 and 30 June 2019 respectively, while the remaining HK\$1,200,000,000 has been extended to 30 June 2019 or the completion date of the Disposal, whichever is earlier. The Group, the Purchaser, Mr. Cheng and Sino Alliance entered into another supplementary agreement dated 28 June 2019 to further extend the due dates, pursuant to which, with certain conditions, (a) HK\$500 million will be extended to 31 December 2019; (b) HK\$800 million will be extended to 31 December 2020; and (c) the remaining HK\$1,200 million will be extended to 30 September 2020 or transferred to the Purchaser upon completion of the Disposal, whichever is earlier.

Since the Disposal are contemplated in the interest of the Company and the owners of the Company as a whole, and will be able to largely reduce the Group’s overall highly indebted position and reduce the finance costs, the directors of the Company expect the Disposal will be proceeded, and at that time, the Pledged Shares and Assets will be released and the Group’s financial position will be improved by reducing its debt level and discharge upcoming repayment obligations. In case the Group defaults on the repayment of the Outstanding Loans from Sino Alliance and CMBC-HK before the completion of the Disposal, the Disposal Group may have loss caused from the Pledged Shares and Assets.

However, the Group has considered alternative refinancing and/or extension of due dates of the relevant debts, as well as to dispose of its certain solar power plants and/or subsidiaries that hold solar power plants to reduce the Group’s highly indebted position and enhance its liquidity. In addition, the Group has also considered to negotiate with certain banks and financial institutions requesting to delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders), in order to enable the Group to have adequate time to obtain proceed from the disposal of solar power plants that might require and adequate working capital to repay the maturing debts from time to time. As such, in the opinion of the directors of the Company, it is unlikely that the Disposal Group would have any material loss caused from the Pledged Shares and Assets for the Outstanding Loans from Sino Alliance and CMBC-HK.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP****Introduction**

Shunfeng International Clean Energy Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

On 10 December 2018, the Company entered into a share transfer agreement (the “Share Transfer Agreement”) with Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), a company with limited liability which is 100% owned and controlled by Mr. Cheng Kin Ming, a substantial shareholder of the Company (the “Purchaser”), pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interest of Jiangsu Shunfeng Photovoltaic Technology Company Limited (江蘇順風光電科技有限公司) (hereafter referred to as the “Disposal Company”) and its subsidiaries (hereafter collectively referred to as the “Disposal Group”) from the Company (the “Disposal”).

The Disposal Group are principally engaged in (a) the business of manufacturing and sales of solar product; (b) the overseas plants business, being the construction, operations and sale of solar power plants in Europe and Japan; and (c) plant management business, being the power plant management and energy solution services that are primarily provided via a German headquartered subsidiary of the Disposal Company. Upon the completion of the Disposal, the Group will cease to have control over the Disposal Group and the remaining group (the “Remaining Group”) will focus its business to (a) continue to operate solar power generation business in the PRC; and (b) continue to operate the manufacturing business of LED (an energy efficient lighting device).

As an assistance to the Group’s effort of reducing its overall debt level, pursuant to the legally binding deed of waiver entered into on 24 March 2019 and the relevant supplementary agreement entered into on 15 May 2019, Peace Link Services Limited (“Peace Link”), a company beneficially owned by Mr. Cheng Kin Ming, has agreed to, conditional upon completion of the Disposal having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million out of HK\$2,148 million under the third batch of outstanding convertible bonds issued by the Company and held by Peace Link in the principal amount of HK\$2,148 million with a maturity date of 15 April 2024 (the “Third CB”) for no consideration (the “Waiver of Third CB”). Upon the waiver, HK\$200 million of the Third CB will remain outstanding.

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Remaining Group, comprising the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 31 December 2018, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31

December 2018 and the unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018, has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal together with the Waiver of Third CB since the Waiver of Third CB is an integral and inseparable part of the Disposal, as if the Disposal and the Waiver of Third CB had been completed on 31 December 2018 or 1 January 2018, as appropriate.

A narrative description of the unaudited pro forma adjustments of the Disposal and the Waiver of Third CB that are directly attributable to the Disposal and the Waiver of Third CB and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the results of operations, financial positions or cash flows of the Group had the Disposal and the Waiver of Third CB been completed as at the respective dates to which it is made up to or for any future periods or at any future dates, whichever are applicable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Group for the year ended 31 December 2018, the historical financial information of the Disposal Group as set out in Appendix II and other financial information included elsewhere in this circular.

## Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 31 December 2018

	The Group	Unaudited pro forma adjustments				The Remaining Group		
	As at 31 December 2018 (Audited) RMB'000 Note 1(a)	Exclusion of 100% equity interest in the Disposal Group as at 31 December 2018 RMB'000 Note 2(a)	Exclusion of net assets under Asset Restructuring (as defined in note 2(b)) as at 31 December 2018 RMB'000 Note 2(b)	Recognition of impact on consideration and estimated loss on the Disposal, repayment of amount due to the Disposal Group and Waiver of Third CB RMB'000 Note 2(c)	Reinstatement of intra-group balances and reversal of impact of intra-group transactions RMB'000 Note 2(d)	Estimated the costs and expenses in respect of the Disposal RMB'000 Note 2(e)	Total pro forma adjustments RMB'000	As at 31 December 2018 (Unaudited) RMB'000
<b>Non-current assets</b>								
Property, plant and equipment	2,113,165	(1,759,468)	(137,007)	–	–	(1,896,475)	216,690	
Solar power plants	11,558,554	(421,321)	–	–	151,270	(270,051)	11,288,503	
Prepaid lease payments – non-current	445,105	(212,782)	(24,203)	–	–	(236,985)	208,120	
Intangible assets	35,861	(32,376)	(13)	–	–	(32,389)	3,472	
Interests in associates	151,824	(118,855)	–	–	–	(118,855)	32,969	
Interests in joint ventures	197,976	(197,976)	–	–	–	(197,976)	–	
Financial assets at fair value through profit or loss (“FVTPL”)	3,096	(100)	–	–	100	–	3,096	
Other non-current assets	877,920	(699,974)	–	–	–	(699,974)	177,946	
Deferred tax assets	93,902	(93,902)	–	–	–	(93,902)	–	
Value-added tax recoverable – non-current	550,535	–	–	–	–	–	550,535	
Contract assets – non-current	206,781	–	–	–	–	–	206,781	
Amount due from the Remaining Group	–	(1,238,361)	–	–	1,238,361	–	–	
<b>Total non-current assets</b>	<b>16,234,719</b>	<b>(4,775,115)</b>	<b>(161,223)</b>	<b>–</b>	<b>1,389,731</b>	<b>(3,546,607)</b>	<b>12,688,112</b>	

	Unaudited pro forma adjustments				The Remaining Group		
The Group	Exclusion of 100% equity interest in the Disposal Group as at 31 December 2018	Exclusion of net assets under Asset Restructuring (as defined in note 2(b)) as at 31 December 2018	Recognition of impact on consideration and estimated loss on the Disposal, repayment of amount due to the Disposal Group and Waiver of Third CB	Reinstatement of intra-group balances and reversal of impact of intra-group transactions	Estimated the costs and expenses in respect of the Disposal	Total pro forma adjustments	As at 31 December 2018 (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1(a)	Note 2(a)	Note 2(c)	Note 2(d)	Note 2(e)		
<b>Current assets</b>							
Inventories	1,065,043	(933,509)	-	2,963	-	(930,546)	134,497
Trade and other receivables	3,873,761	(1,566,320)	-	-	-	(1,566,320)	2,307,441
Amount due from the Remaining Group	-	(57,557)	-	57,557	-	-	-
Contract assets	38,294	(38,294)	-	-	-	(38,294)	-
Receivables at fair value through other comprehensive income ("FVTOCI")	244,100	(230,726)	-	-	-	(230,726)	13,374
Prepaid lease payments – current	17,477	(5,811)	-	-	-	(6,381)	11,096
Value-added tax recoverable	307,266	(50,005)	-	-	-	(50,005)	257,261
Tax recoverable	5,990	(5,990)	-	-	-	(5,990)	-
Prepayments to suppliers	813,457	(797,558)	-	-	-	(797,558)	15,899
Amount due from an associate	160	(160)	-	-	-	(160)	-
Amount due from a joint venture	9,261	(9,261)	-	-	-	(9,261)	-
Restricted bank deposits	2,039,632	(1,615,581)	-	-	-	(1,615,581)	424,051
Bank balances and cash	754,586	(638,854)	200,000	-	(50,262)	(489,116)	265,470
<b>Total current assets</b>	<b>9,169,027</b>	<b>(5,949,626)</b>	<b>200,000</b>	<b>60,520</b>	<b>(50,262)</b>	<b>(5,739,938)</b>	<b>3,429,089</b>

	Unaudited pro forma adjustments					The Remaining Group
	Recognition of impact on consideration and estimated loss on the disposal, repayment amount due to the Disposal Group and Waiver of Third CB					
	Exclusion of net assets under Asset Restructuring (as defined in note 2(b)) as at 31 December 2018	Disposal, repayment amount due to the Disposal Group and Waiver of Third CB	Reinstatement of intra-group balances and reversal of impact of intra-group transactions	Estimated the costs and expenses in respect of the Disposal	Total pro forma adjustments	As at 31 December 2018 (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 2(a)	Note 2(c)	Note 2(d)	Note 2(e)		
<b>Current liabilities</b>						
Trade and other payables	6,507,258	–	–	–	(4,308,338)	2,198,920
Amount due to the Remaining Group/Disposal Group	–	(1,745,000)	–	–	37,596	37,596
Contract liabilities	331,696	–	1,879,250	–	(328,600)	3,096
Amount due to an associate	48,286	–	–	–	–	48,286
Amount due to a joint venture	127,374	–	–	–	(127,374)	–
Obligations under finance leases	38,943	–	–	–	(38,943)	–
Provisions	1,019,489	–	–	–	(750,773)	–
Tax liabilities	8,327	–	–	–	(4,867)	268,716
Bank and other borrowings	7,148,081	(1,051,440)	–	–	(4,867)	3,460
Deferred income	6,394	–	–	–	(1,676,779)	5,471,302
Derivative financial liabilities	3,336	–	–	–	(4,752)	1,642
Convertible bonds	681,872	–	–	–	–	3,336
Bond payables	830,471	–	–	–	–	681,872
						830,471
<b>Total current liabilities</b>	<b>16,751,527</b>	<b>(6,190,913)</b>	<b>1,879,250</b>	<b>–</b>	<b>(7,202,830)</b>	<b>9,548,697</b>

	Unaudited pro forma adjustments					The Remaining Group
The Group	Exclusion of net assets under Asset Restructuring (as defined in note 2(b)) as at 31 December 2018	Recognition of impact on consideration and estimated loss on the Disposal, repayment due to the Disposal Group and Waiver of Third CB	Reinstatement of intra-group balances and reversal of impact of intra-group transactions	Estimated the costs and expenses in respect of the Disposal	Total pro forma adjustments	As at 31 December 2018 (Unaudited)
	RMB'000 Note 1(a)	RMB'000 Note 2(c)	RMB'000 Note 2(d)	RMB'000 Note 2(e)	RMB'000	RMB'000
Net current liabilities	(7,582,500)	2,996,440	(1,818,730)	(50,262)	1,462,892	(6,119,608)
Total assets less current liabilities	8,652,219	2,996,440	(428,999)	(50,262)	2,083,715	6,568,504
Capital and reserves						
Share capital	40,756	–	–	–	–	40,756
Reserves	2,222,041	(616,391)	(429,099)	(50,262)	(1,095,752)	1,126,289
Equity attributable to owners of the Company	2,262,797	(616,391)	(429,099)	(50,262)	(1,095,752)	1,167,045
Non-controlling interests	1,384,425	–	100	–	100	1,384,525
Total equity	3,647,222	(616,391)	(428,999)	(50,262)	(1,095,652)	2,551,570



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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The Group	Unaudited pro forma adjustments					The Remaining Group	
As at 31 December 2018 (Audited) RMB'000 Note 1(a)	Exclusion of 100% equity interest in the Disposal Group as at 31 December 2018 RMB'000 Note 2(a)	Exclusion of net assets under Asset Restructuring (as defined in note 2(b)) as at 31 December 2018 RMB'000 Note 2(b)	Recognition of impact on consideration and estimated loss on the Disposal, repayment of amount due to the Disposal Group and Waiver of Third CB RMB'000 Note 2(c)	Reinstatement of intra-group balances and reversal of impact of intra-group transactions RMB'000 Note 2(d)	Estimated the costs and expenses in respect of the Disposal RMB'000 Note 2(e)	Total pro forma adjustments RMB'000	As at 31 December 2018 (Unaudited) RMB'000
<b>Non-current liabilities</b>							
Deferred tax liabilities	38,356	-	-	-	-	(34,608)	3,748
Bank and other borrowings	3,919,264	-	-	-	-	(355,056)	3,564,208
Obligations under finance leases	27,909	-	-	-	-	(27,909)	-
Deferred income	22,120	-	-	-	-	(14,818)	7,302
Convertible bonds	997,348	-	-	(555,672)	-	(555,672)	441,676
<b>Total non-current liabilities</b>	<b>5,004,997</b>	<b>(432,391)</b>	<b>-</b>	<b>(555,672)</b>	<b>-</b>	<b>(988,063)</b>	<b>4,016,934</b>

## Unaudited pro forma condensed consolidated statement of comprehensive profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2018

	The Group		Unaudited pro forma adjustments				The Remaining Group								
	For the year ended 31 December 2018 (Audited) RMB'000	Note 1(b)	Exclusion of the results of the Disposal Group for the year ended 31 December 2018 RMB'000	Note 3(a)	Estimated loss in respect of the Disposal RMB'000	Note 3(b)	Reinstatement of intra-group transactions RMB'000	Note 3(d)	Reversal of the interest expense incurred for	Assignment (as defined in note 2(c)) RMB'000	Note 3(e)	Estimated costs and expenses in respect of the Disposal RMB'000	Note 3(f)	Total pro forma adjustments RMB'000	For the year ended 31 December 2018 (Unaudited) RMB'000
Revenue	10,290,635		(8,967,528)		-		321,534		-			-		(8,645,994)	1,644,641
Cost of sales	(8,441,652)		7,741,714		-		(328,310)		-			-		7,413,404	(1,028,248)
<b>Gross Profit</b>	<b>1,848,983</b>		<b>(1,225,814)</b>		-		<b>(6,776)</b>		-			-		<b>(1,232,590)</b>	<b>616,393</b>
Other income	220,206		(294,848)		-		198,958		-			-		(95,890)	124,316
Other gains and losses and other expenses	(887,990)		700,980		(1,452,755)		-		-			(51,451)		(803,226)	(1,691,216)
Impairment losses, net of reversal	(154,043)		152,283		-		(60,040)		-			-		92,243	(61,800)
Distribution and selling expenses	(595,322)		583,074		-		-		-			-		583,074	(12,248)
Administrative expenses	(610,145)		384,247		-		(1,715)		-			-		382,532	(227,613)
Research and development expenditure	(144,151)		103,098		-		-		-			-		103,098	(41,053)
Share of gains of associates	9,239		(6,464)		-		-		-			-		(6,464)	2,775
Share of gains of joint ventures	21,194		(21,194)		-		-		-			-		(21,194)	-
Finance costs	(1,285,923)		97,787		-		-		183,988			-		281,775	(1,004,148)
<b>Loss before tax</b>	<b>(1,577,952)</b>		<b>473,149</b>		<b>(1,452,755)</b>		<b>130,427</b>		<b>183,988</b>			<b>(51,451)</b>		<b>(716,642)</b>	<b>(2,294,594)</b>
Income tax expense	(128,768)		123,369		-		-		-			-		123,369	(5,399)
<b>Loss for the year</b>	<b>(1,706,720)</b>		<b>596,518</b>		<b>(1,452,755)</b>		<b>130,427</b>		<b>183,988</b>			<b>(51,451)</b>		<b>(593,273)</b>	<b>(2,299,993)</b>

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UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP

	The Group	Unaudited pro forma adjustments				The Remaining Group		
	For the year ended 31 December 2018 (Audited) RMB'000 Note 1(b)	Exclusion of the results of the Disposal Group for the year ended 31 December 2018 RMB'000 Note 3(a)	Estimated loss in respect of the Disposal RMB'000 Note 3(b)	Reinstatement of intra-group transactions RMB'000 Note 3(d)	Reversal of the interest expense incurred for Debts Assignment (as defined in note 2(c)) RMB'000 Note 3(e)	Estimated costs and expenses in respect of the Disposal RMB'000 Note 3(f)	Total pro forma adjustments RMB'000	For the year ended 31 December 2018 (Unaudited) RMB'000
<b>Other comprehensive income (expense):</b>								
Items that may be subsequently reclassified to profit or loss:								
Share of other comprehensive income of associates and joint ventures	757	(757)	-	-	-	-	(757)	-
Exchange differences on translating foreign operations	(16)	2,287	-	-	-	-	2,287	2,271
Fair value loss on receivables at FVTOCI	(10,527)	1,938	-	-	-	-	1,938	(8,589)
<b>Other comprehensive expense for the year</b>	<u>(9,786)</u>	<u>3,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,468</u>	<u>(6,318)</u>
<b>Total comprehensive expense for the year</b>	<u>(1,716,506)</u>	<u>599,986</u>	<u>(1,452,755)</u>	<u>130,427</u>	<u>183,988</u>	<u>(51,451)</u>	<u>(589,805)</u>	<u>(2,306,311)</u>
<b>Loss for the year attributable to:</b>								
Owners of the Company	(1,705,630)	596,518	(1,452,755)	130,427	183,988	(51,451)	(593,273)	(2,298,903)
Non-controlling interests	(1,090)	-	-	-	-	-	-	(1,090)
	<u>(1,706,720)</u>	<u>596,518</u>	<u>(1,452,755)</u>	<u>130,427</u>	<u>183,988</u>	<u>(51,451)</u>	<u>(593,273)</u>	<u>(2,299,993)</u>
<b>Total comprehensive expense for the year attributable to:</b>								
Owners of the Company	(1,715,542)	600,070	(1,452,755)	130,427	183,988	(51,451)	(589,721)	(2,305,263)
Non-controlling interests	(964)	(84)	-	-	-	-	(84)	(1,048)
	<u>(1,716,506)</u>	<u>599,986</u>	<u>(1,452,755)</u>	<u>130,427</u>	<u>183,988</u>	<u>(51,451)</u>	<u>(589,805)</u>	<u>(2,306,311)</u>

## Unaudited pro forma condensed consolidated statement of cash flow of the Remaining Group for the year ended 31 December 2018

	The Group	Unaudited pro forma adjustments						The Remaining Group
		Exclusion of the cash flow of the Disposal Group for the year ended 31 December 2018	Recognition of proceeds on the Disposal and repayment of amount due to the Disposal Group	Reinstatement of intra-group transactions	Reversal of the interest expense incurred/paid for Debts Assignment	Estimated costs and expenses in respect of the Disposal	Total pro forma adjustments	
	For the year ended 31 December 2018 (Audited)	of the Disposal Group for the year ended 31 December 2018	of amount due to the Disposal Group	of intra-group transactions	the interest expense incurred/paid for Debts Assignment	costs and expenses in respect of the Disposal	for the year ended 31 December 2018 (Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 1(b)	Note 3(a)	Note 3(c)	Note 3(d)	Note 3(e)	Note 3(f)	(Unaudited)	
<b>Net cash from operating activities</b>	<b>2,723,181</b>	<b>(2,203,454)</b>	-	-	-	<b>(51,451)</b>	<b>(2,254,905)</b>	
<b>Investing activities</b>								
Withdrawal of restricted bank deposits	1,389,569	(594,387)	-	-	-	-	795,182	
Receipt from government grants	859	-	-	-	-	-	859	
Bank interest income received	19,410	(17,392)	-	-	-	-	2,018	
Interest income received from advances to independent third parties	36,305	-	-	-	-	-	36,305	
Payments of prepaid lease payment	(42,660)	-	-	-	-	-	(42,660)	
Placement of restricted bank deposits	(1,952,820)	1,553,904	-	-	-	-	(398,916)	
Payments of property, plant and equipment	(274,560)	214,138	-	-	-	-	(60,422)	
Payment for construction cost in respect of solar power plants	(300,161)	97,183	-	-	-	-	(202,978)	
Proceeds on disposal of property, plant and equipment	35,523	(23,020)	-	-	-	-	12,503	
Proceeds on disposal of solar power plants	24,499	(24,499)	-	-	-	-	-	
Capital contribution to an associate	(150)	150	-	-	-	-	150	
Capital contribution for the establishment of a joint venture	(180,000)	180,000	-	-	-	-	180,000	

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	Unaudited pro forma adjustments						The Remaining Group
	The Group	Exclusion of the cash flow of the Disposal Group for the year ended 31 December 2018	Recognition of proceeds on the Disposal and repayment of amount due to the Disposal Group	Reinstatement of intra-group transactions	Reversal of the interest expense incurred/paid for Debts Assignment	Estimated costs and expenses in respect of the Disposal	
	For the year ended 31 December 2018 (Audited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	For the year ended 31 December 2018 (Unaudited)
	Note 1(b)	Note 3(a)	Note 3(c)	Note 3(d)	Note 3(e)	Note 3(f)	RMB'000
Purchases of intangible assets	(1,340)	1,340	-	-	-	-	-
Loan advanced to independent third parties	(58,270)	37,886	-	-	-	-	(20,384)
Loan repayment from independent third parties	120,814	(54,412)	-	-	-	-	66,402
Loan advanced to the Remaining Group	-	669,692	-	(669,692)	-	-	-
Proceeds on disposal of subsidiaries	61,302	(61,302)	-	-	-	-	-
Proceeds on partial disposal of meteorcontrol Electric Power (as defined in note 23 in the annual report of 2018)	2,200	(2,200)	-	-	-	-	-
Interest received in relation to the security deposit	4,337	-	-	-	-	-	4,337
Dividend received from associates	1,670	(200)	-	-	-	-	1,470
Dividend received from a joint venture	10,845	(10,845)	-	-	-	-	-
Receipt of consideration receivable in respect of subsidiaries previously disposed	10,913	(8,913)	-	-	-	-	2,000
Settlement received from amounts due from disposed subsidiaries	5	-	-	-	-	-	5
Cash received from disposal of the Disposal Group	-	-	1,945,000	-	-	-	1,945,000
<b>Net cash (used in) from investing activities</b>	<b>(1,091,710)</b>	<b>1,957,123</b>	<b>1,945,000</b>	<b>(669,692)</b>	<b>-</b>	<b>-</b>	<b>2,140,721</b>
<b>Financing activities</b>							
New bank and other borrowings raised	1,429,348	(922,210)	-	-	-	-	507,138
Repayment of bank and other borrowings	(1,417,691)	761,210	-	-	-	-	(656,481)

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UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP

	Unaudited pro forma adjustments						The Remaining Group	
	The Group	Exclusion of the cash flow of the Disposal Group for the year ended 31 December 2018 (Audited) RMB'000	Recognition of proceeds on the Disposal and repayment of amount due to the Disposal Group RMB'000	Reinstatement of intra-group transactions RMB'000	Reversal of the interest expense incurred/paid for Debts Assignment RMB'000	Estimated costs and expenses in respect of the Disposal RMB'000		Total pro forma adjustments RMB'000
	For the year ended 31 December 2018 (Audited) RMB'000	Note 1(b)	Note 3(a)	Note 3(c)	Note 3(d)	Note 3(e)	Note 3(f)	For the year ended 31 December 2018 (Unaudited) RMB'000
Interest paid	(731,653)		59,754	-	-	43,180	-	(628,719)
Interest paid for bond payables	(82,777)		-	-	-	-	-	(82,777)
Interest paid for convertible bonds	(61,393)		-	-	-	-	-	(61,393)
Repayment of bond payables	(216,000)		-	-	-	-	-	(216,000)
Repayment of obligations under finance leases	(52,948)		50,382	-	-	-	-	(2,566)
Interest paid for consideration received in advance in respect of the 2015 Proposed Disposal (as defined in note 4(i)(e) in the annual report of 2018)	(4,093)		-	-	-	-	-	(4,093)
Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed disposal (as defined in note 4(i)(e) in the annual report of 2018)	(10,000)		-	-	-	-	-	(10,000)
Advance from independent third parties	18,177		(18,177)	-	-	-	-	-
Repayment to independent third parties	(433,687)		198,931	-	-	-	-	(234,756)
Advance from the Disposal Group	-		-	-	669,692	-	-	669,692
Repayment to the Disposal Group	-		-	(1,745,000)	-	-	-	(1,745,000)
<b>Net cash (used in) from financing activities</b>	<b>(1,562,717)</b>		<b>129,890</b>	<b>(1,745,000)</b>	<b>669,692</b>	<b>43,180</b>	<b>-</b>	<b>(2,464,955)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>68,754</b>		<b>(116,441)</b>	<b>200,000</b>	<b>-</b>	<b>43,180</b>	<b>(51,451)</b>	<b>144,042</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>663,686</b>		<b>(519,534)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,152</b>
<b>Effect of foreign exchange rate changes</b>	<b>22,146</b>		<b>(2,879)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,267</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>754,586</b>		<b>(638,854)</b>	<b>200,000</b>	<b>-</b>	<b>43,180</b>	<b>(51,451)</b>	<b>307,461</b>

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP**

1. (a) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the published annual report of the Group for the year ended 31 December 2018.
- (b) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 as set out in the published annual report of the Group for the year ended 31 December 2018.
2. The following pro forma adjustments have been made to the unaudited pro forma condensed consolidated statement of financial position, assuming the Disposal together with the Waiver of Third CB, since the Waiver of Third CB is an integral and inseparable part of the Disposal, had taken place on 31 December 2018:
  - (a) The adjustments represent the exclusion of assets and liabilities of the Disposal Group as at 31 December 2018, assuming the Disposal had taken place on 31 December 2018. The assets and liabilities of the Disposal Group are extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as at 31 December 2018 set out in Appendix II to this circular.
  - (b) Pursuant to the Share Transfer Agreement, as part of the Disposal, certain land, intangible assets, plants, machines and facilities and liabilities related to solar power module manufacturing and operation held by the Group would be transferred to the Disposal Group, the consideration of which has been included in the consideration for the Disposal (the “Asset Restructuring”). The adjustments represent the exclusion of the carrying amounts of these assets as at 31 December 2018 with reference to the unaudited management accounts of the Group as at 31 December 2018, assuming the Asset Restructuring had taken place on 31 December 2018.
  - (c) The adjustments represent the estimated loss on disposal charged to profit or loss, assuming the Disposal had taken place on 31 December 2018 and is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
<b>Fair value of consideration:</b>		
The loan facility of HK\$1,200 million	<i>(i)</i>	
Cash consideration	<i>(ii)</i>	1,051,440
	<i>(iii)</i>	<u>1,945,000</u>
<b>Total fair value of consideration</b>		<b>2,996,440</b>
Less: Fair value of the net assets of the Disposal Group attributable to the owners of the Company and the net assets under the Asset Restructuring	<i>(iv)</i>	<u>(2,934,387)</u>
<b>Difference credited to special reserve as deemed contribution</b>	<i>(v)</i>	<b>62,053</b>
Fair value of the outstanding liability component of the Partial Third CB (as defined in note (vi)):	<i>(vi)</i>	<u>479,488</u>
<b>(1) Total impact credited to special reserve</b>		<b><u>541,541</u></b>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<i>Notes</i>	<i>RMB'000</i>
Fair value of the net assets of the Disposal Group attributable to the owners of the Company and the net assets under the Asset Restructuring	<i>(iv)</i>	2,934,387
Less: carrying amount of net assets of the Disposal Group attributable to the owners of the Company	<i>(vii)</i>	(4,101,437)
Less: carrying amount of the net assets under the Asset Restructuring	<i>2(b)</i>	<u>(67,066)</u>
<b>Estimated loss charged to profit or loss</b>		<b>(1,234,116)</b>
Gain on the extinguishment of the outstanding liability component of the Partial Third CB	<i>(vi)</i>	<u>76,184</u>
<b>(2) Total impact charged to profit or loss</b>	<i>(viii)</i>	<b><u>(1,157,932)</u></b>
 <b>The total impact to equity is as follows:</b>		
Increase in special reserve		541,541
Increase in accumulated losses		<u>(1,157,932)</u>
<b>Total impact to equity</b>		<b><u>(616,391)</u></b>

*Notes:*

- (i) Pursuant to the Share Transfer Agreement, the consideration for the Disposal (the “Consideration”) include two portions, the details of which are set out as notes (ii) to (iii).
- (ii) As at 31 December 2018, the total amount of loan facility provided by Sino Alliance Capital Ltd. (“Sino Alliance”), an independent third party, to the Company was HK\$2,500 million. As part of the Consideration, the parties shall enter into an agreement and all relevant legal documents with Sino Alliance, the Company and other relevant parties, to the effect that (1) the debt amount of HK\$1,200 million out of the HK\$2,500 million loan facility provided by Sino Alliance shall be assigned and assumed by the Purchaser; and (2) the Company and its subsidiaries shall not be required to assume the repayment obligation of the principal amount and interests in respect of the HK\$1,200 million loan facility upon the assignment of loan. Such loan is secured by the entire equity interest in each of the Disposal Company and Wuxi Suntech Power Co., Ltd. (無錫尚德太陽能電力有限公司), a wholly-owned subsidiary of the Disposal Company. Pursuant to the Share Transfer Agreement, as one of the conditions precedent, these pledges are required to be fully released prior to the completion of the Disposal, without any encumbrances. HK\$1,200.0 million is re-translated to approximately RMB1,051.4 million using the exchange rate of HK\$1.00 to RMB0.8762 as at 31 December 2018 as published by People’s Bank of China. No representation is made that the HK\$ amount could be or could have been converted to RMB at that date, at any other rates or at all.
- (iii) The remaining portion of the Consideration amounting to RMB1,945 million will be paid by cash upon the completion of the Disposal, use of which consist of (1) RMB200 million will be used as working capital of the Remaining Group (which will not be used to repay the outstanding amount of the Third CB) and (2) RMB1,745 million will be used to repay the amount due to the Disposal Group as soon as possible after the Purchaser has made the payment of RMB1,945 million. The remaining amount due to the Disposal Group is unsecured, interest-free and repayable on demand.



- (iv) Fair value of the net assets of the Disposal Group attributable to the owners of the Company as at 31 December 2018 is determined with reference to the valuation reports prepared by an independent professional valuer not connected to the Group, while the fair value of the net assets under the Asset Restructuring is estimated by the directors of the Company, by applying a consistent methodology that had been adopted by the independent professional valuer when they perform the valuation of the Disposal Group, since the net assets under the Asset Restructuring are closely related to the business of the Disposal Group.
- (v) RMB42,198,000 is credited to special reserve in equity, representing the excess of the fair value of Consideration over the fair value of net assets of the Disposal Group and net assets under Assets Restructuring, which was considered as a deemed capital contribution made by owner of the Company, since the Purchaser is wholly owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.
- (vi) As at 31 December 2018, the outstanding principal amount of the third batch outstanding convertible bonds issued by the Company and held by Peace Link Services Limited (“Peace Link”, being a company beneficially owned by Mr. Cheng Kin Ming) (the “Third CB”) was HK\$2,148 million. As an assistance to the Group’s effort of reducing its overall debt level, pursuant to the legally binding deed of waiver entered into on 24 March 2019 and the relevant supplementary agreement entered into on 15 May 2019, Peace Link has agreed to, conditional upon completion of the Disposal having taken place, waive the repayment and redemption obligations of the Company in respect of HK\$1,948 million out of HK\$2,148 million under the Third CB (the “Partial Third CB”) for no consideration. Upon the waiver, HK\$200 million of the Third CB will remain outstanding.

As at 31 December 2018, the carrying amount of the liability component and equity component of the Partial Third CB are as follows:

	<b>As at 31 December 2018</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
	<i>RMB’000</i>	<i>RMB’000</i>
<b>The Partial Third CB:</b>		
Liability component	555,672	479,488
Equity component	820,709	46,626
<b>Total</b>	<b>1,376,381</b>	<b>526,114</b>

The difference between the outstanding principal amount of the Partial Third CB, of which the principal balance was equivalent to RMB1,546.0 million translated at the pre-determined fixed rate of exchange of RMB1 to HK\$1.26 and its respective carrying amount of the liability portion of approximately RMB555.7 million as at 31 December 2018 represented the unamortised interest expenses for the remaining period till its maturity on 15 April 2024. The Third CB is a zero-coupon convertible instrument, and the effective interest adopted initially to measure the initial fair value of the liability portion of the Third CB is 21.31% per annum.

The extinguishment of the Partial Third CB would result in a gain of RMB76,184,000 charged to profit or loss, being the difference between the fair value of the respective liability component as at 31 December 2018, which is determined with reference to the valuation report prepared by an independent professional valuer not connected to the Group, and its carrying amount as at 31 December 2018.

In addition, the extinguishment of the Partial Third CB would result in a credit to special reserve of RMB479,488,000 as deemed capital contribution, being the fair value of the respective liability component as at 31 December 2018, since the holder is wholly owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company, and the waiver of the Partial Third CB constituted transaction with owner in its capacity as owner.

(The loan facility assumed by the Purchaser as part of the Consideration as set out in note (ii) and the Partial Third CB would be waived upon completion of the Disposal as set out in note (iii) are collectively referred to as the “Debts Assignment”)

- (vii) The amount represents the carrying amount of the net assets of the Disposal Group attributable to owners of the Company as at 31 December 2018 which is extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as at 31 December 2018 as set out in Appendix II to this circular.
- (viii) Since the fair value or carrying amount of net assets of the Disposal Group and net assets under Asset Restructuring and the fair value of the consideration on the date of actual completion of the Disposal may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, the financial impact of the Disposal and the Waiver of Third CB is for illustrative purpose only and subject to change upon actual completion of the Disposal and the Waiver of Third CB.
- (d) The adjustment represents the reinstatement of intra-group balances, which have been eliminated at group level, and to reverse the impact of intra-group transactions when preparing the unaudited pro forma financial information of the Remaining Group. In particular, (i) the increase of RMB151,270,000 in solar power plants represents the gross margin on solar products sold from the Disposal Group to the Remaining Group for its construction of power station purpose, of which the margin has been previously eliminated at group level and is now reinstated when preparing the unaudited pro form financial information of the Remaining Group; and (ii) amount due to the Disposal Group is reinstated at face value without discounting as it is repayable on demand.
- (e) The estimated costs and expenses, including stamp duty of RMB2,350,000, professional fee of RMB21,992,000 and other tax expenses of RMB25,920,000 directly incurred for the Disposal that would be borne by the Remaining Group and are assumed to be settled in cash on the date of completion of the Disposal.

Stamp duty is payable on the transfer of equity interest of the Disposal Group at a rate of 0.05% on Consideration that stated in the Share Transfer Agreement. The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the completion of Disposal.

Professional fee is incurred by the Company for the Disposal and the amount is subject to change upon the actual completion of the Disposal.

Other tax expenses, mainly including value-added tax and stamp duty, are incurred by the Company for the Asset Restructuring, and the amount is subject to change upon the actual completion of the Disposal.

- (f) Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2018 for the purpose of preparation of the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 31 December 2018.

3. The following pro forma adjustments have been made to the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2018, assuming the Disposal together with the Waiver of Third CB, since the Waiver of Third CB is an integral and inseparable part of the Disposal, had taken place on 1 January 2018, which comprise the following:

- (a) The adjustments represent the exclusion of the results and cash flows of the Disposal Group for the year ended 31 December 2018, assuming the Disposal had taken place on 1 January 2018. The results and cash flows of the Disposal Group for the year ended 31 December 2018 are extracted from the unaudited condensed consolidated statement of profit or loss and other comprehensive income and the unaudited condensed consolidated statement of cash flows of the Disposal Group set out in Appendix II to this circular.
- (b) The adjustments represent the estimated loss on disposal charged to profit or loss, assuming the Disposal had taken place on 1 January 2018 and is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Fair value of the net assets of the Disposal Group attributable to the owners of the Company and the net assets under the Asset Restructuring	<i>(i)</i>	3,616,390
Less: carrying amount of net assets of the Disposal Group attributable to the owners of the Company	<i>(ii)</i>	(5,066,767)
Less: carrying amount of the net assets under the Asset Restructuring	<i>(iii)</i>	<u>(70,569)</u>
<b>Estimated loss charged to profit or loss</b>		<b>(1,520,946)</b>
Gain on the extinguishment of the outstanding liability component of the Partial Third CB	<i>(iv)</i>	<u>68,191</u>
<b>(2) Total impact to profit or loss</b>	<i>(v)</i>	<b><u>(1,452,755)</u></b>

*Notes:*

- (i) For simplicity and for the purpose of this unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows, for the calculation of the impact of the Disposal, the fair value of the net assets of the Disposal Group attributable to owners of the Company and the net assets under the Asset Restructuring as at 1 January 2018 is estimated by the directors of the Company by applying a consistent methodology that had been adopted by the independent professional valuer when they perform the valuation of the Disposal Group as at 31 December 2018. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue, results and cash flows of operations of the Group that actually would have been achieved had the Disposal been completed on 1 January 2018, nor is it intended to be a projection of future results.
- (ii) The amount represents the carrying amount of the net assets of the Disposal Group attributable to owners of the Company which is extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as at 31 December 2017 as set out in Appendix II to this circular.
- (iii) Pursuant to the Share Transfer Agreement, as part of the Disposal, certain land, intangible assets, plants, machines and facilities and liabilities related to solar power module manufacturing and operation held by the Group would be transferred to the Disposal Group, the consideration of which has been included in the consideration for

the Disposal (the “Asset Restructuring”). The carrying amount of the net assets under the Asset Restructuring as at 1 January 2018 is extracted from the relevant unaudited management accounts as at 1 January 2018.

- (iv) The extinguishment of the Partial Third CB would result in a gain of RMB68,191,000 charged to profit or loss, being the difference between the fair value of the liability component as at 1 January 2018, which is determined with reference to the valuation report prepared by an independent professional valuer not connected to the Group, and its carrying amount as at 1 January 2018, assuming the Disposal had taken place on 1 January 2018.
- (v) Since the fair value or carrying amount of net assets of the Disposal Group and net assets under Asset Restructuring, and the fair value of the consideration on the date of actual completion of the Disposal may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, the financial impact of the Disposal is for illustrative purpose only and subject to change upon actual completion of the Disposal.
- (c) The adjustment represents that part of the Consideration amounting to RMB1,945 million would be paid by cash, assuming on the date of completion of the Disposal, among which RMB1,745 million will be used to repay the amount due to the Disposal Group as soon as possible after the Purchaser has made the payment of RMB1,945 million pursuant to the Share Transfer Agreement.
- (d) The adjustment represents the reinstatement of intra-group transactions between the Disposal Group and the Remaining Group, which have been eliminated at group level, and to reverse the impact of intra-group transactions when preparing the unaudited proforma financial information of the Remaining Group for the year ended 31 December 2018.
- (e) The adjustment represents the reversal of the interest expense incurred/paid for Debts Assignment during the year ended 31 December 2018, assuming the Disposal and the Waiver of Third CB had taken place on 1 January 2018.
- (f) The estimated costs and expenses, including stamp duty of RMB2,350,000, professional fee of RMB20,965,000 and other tax expenses of RMB28,136,000 directly incurred for the Disposal that would be borne by the Remaining Group and are assumed to be settled in cash on the date of completion of the Disposal.

Stamp duty is payable on the transfer of equity interest of the Disposal Group at a rate of 0.05% on Consideration that stated in the Share Transfer Agreement. The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the completion of Disposal.

Professional fee is incurred by the Company for the Disposal and the amount is subject to change upon the actual completion of the Disposal.

Other tax expenses, mainly including value-added tax and stamp duty, are incurred by the Company for the Asset Restructuring, and the amount is subject to change upon the actual completion of the Disposal.

- (g) Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2018 for the purpose of preparation of the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018.

- (h) The above adjustments are not expected to have a continuing effect on the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group.
  
- 4. Since the fair value or carrying amount of net assets of the Disposal Group and net assets under Asset Restructuring, and the fair value of the consideration on the date of actual completion of the Disposal may be different from the amounts used in the Unaudited Pro Forma Financial Information of the Remaining Group, the financial impact of the Disposal and the Waiver of Third CB and the Unaudited Pro Forma Financial Information of the Remaining Group is subject to change upon actual completion of the Disposal and the Waiver of Third CB.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

*The following is the text of a report, set out on pages III-20 to III-23 received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY  
LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shunfeng International Clean Energy Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of unaudited pro forma statement of financial position as at 31 December 2018, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the unaudited pro forma statement of cash flows for the year ended 31 December 2018 and related notes as set out on pages III-13 to III-19 of the circular dated 30 June 2019 issued by the Company in connection with the disposal of the Jiangsu Shunfeng Photovoltaic Technology Company Limited and its subsidiaries (collectively the “**Disposal Group**”) by the Company (the “**Circular**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-1 to III-19 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the disposal of the Disposal Group (the “**Disposal**”) together with the waiver of HK\$1,948 million out of HK\$2,148 million under the third batch of outstanding convertible bonds issued by the Company with a maturity date of 15 April 2024 for no consideration (the “**Waiver of Third CB**”), since the Waiver of Third CB is an integral and inseparable part of the Disposal, on the Group’s financial position as at 31 December 2018 and the Group’s financial performance and cash flows for the year ended 31 December 2018 as if the Disposal and the Waiver of Third CB had taken place at 31 December 2018 and 1 January 2018, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group’s consolidated financial statements for the year ended 31 December 2018, on which an auditor’s report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 or 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**OPINION**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30 June 2019

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the operation results and business review of the Remaining Group for the three years ended 31 December 2018.

The Remaining Business immediately after the Disposal comprises (i) the PRC Power Generation Business and (ii) the LED Business.

**For the year ended 31 December 2016***Solar Power Generation*

During the year ended 31 December 2016, the solar power plants owned by the Remaining Group generated an aggregate of approximately 1,282,217 MWh.

	For the year ended 31 December		
	2016	2015	% of
	MWh	MWh	Changes
<b>Power generation volume</b>	1,282,217	977,192	31.2%

As at 31 December 2016, the Remaining Group's solar power plants successfully realized a total installed capacity of 1,600 MW of on-grid generation, with 110 MW under construction.

*Production and Sales of LED Products*

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB134 million or 91.78% from RMB146.0 million for the year ended 31 December 2015 to RMB280.0 million for the year ended 31 December 2016.

Lattice Power incurred loss in the year due to severe market condition and substantial research and development expenses. In light of the loss incurred during year ended 31 December 2016, the management assessed the recoverable amounts in relation to each cash-generating-units determined based on a value-in-use calculation, and recognized impairment losses on goodwill and intangible assets of RMB412 million and RMB161 million respectively, and partial impairment losses on property, plant and equipment of RMB245 million in relation to Lattice Power. In addition, the Remaining Group also recognised gain of RMB255 million on changes in fair value of Series E Warrants in Lattice Power during the year ended 31 December 2016.

*Business review*

For the year ended 31 December 2016, the revenue of the Remaining Group was approximately RMB1,391 million, of which approximately 79.87% were primarily attributable to the solar power generation and others and sale of electricity to third party customers (including State Grid) and approximately 20.13% were attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB172 million, or 14.11%, from RMB1,219 million for the year ended 31 December 2015, primarily attributable to the fact that most of the solar power plants of the Remaining Group that completed on-grid connection before 2016 have completed testing and commenced operation in 2016 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 31.2% from 977,192 MWh for the year ended 31 December 2015 to 1,282,217 MWh for the year ended 31 December 2016 and sales revenue from LED products amounted to RMB280 million for the year ended 31 December 2016.

The volume of electricity generated by the Remaining Group increased due to increase in the total on-grid scale for power generation. However, in certain provinces and regions where the power plants of the Remaining Group are located, the use of electricity continues to be limited, resulting in loss of power generation volume and approximately RMB490 million in revenue of the Remaining Group from power generation.

For the year ended 31 December 2016, the cost of sales of the Remaining Group increased by approximately RMB225 million, or 27.78%, from approximately RMB810 million for the year ended 31 December 2015 to approximately RMB1,035 million for the year ended 31 December 2016, primarily attributable to the increase in power generation volume of solar power generation business as a result of which the gross profit of the Remaining Group was approximately RMB356 million.

For the year ended 31 December 2016, the other income for the year ended 31 December 2016 was approximately RMB55 million, which consists of, among other things, the government grants of approximately RMB51 million.

For the year ended 31 December 2016, net other gains and losses and other expenses of the Remaining Group was approximately RMB2,202 million. The net other gains and losses and other expenses of the Remaining Group consist of, among other things, impairment loss on interest in subsidiary of approximately RMB668 million, impairment loss on goodwill in respect of the LED Business of approximately RMB412 million, impairment loss on trade and other receivables of approximately RMB343 million, impairment loss on intangible assets of approximately RMB161 million, impairment loss of properties, plants and equipment of approximately RMB245 million, impairment loss and provisions in respect of Suniva Inc. of approximately RMB260 million and impairment loss of certain solar power plants of approximately RMB222 million.

For the year ended 31 December 2016, the distribution and selling expenses of the Remaining Group was approximately RMB13 million, which primarily consists of the shipment costs of LED products. For the year ended 31 December 2016, the administrative expenses of the Remaining Group was approximately RMB330 million, which primarily consists of administrative expenses for the PRC Power Generation Business of approximately RMB146 million, administrative expenses for the LED Business of approximately RMB102 million and certain other group-level audit, legal, consulting and other related expenses of approximately RMB82 million. For the year ended 31 December 2016, the research and development expenditure of the Remaining Group was approximately RMB76 million, which primarily consists of the expenses on research and development investment and related material costs.

For the year ended 31 December 2016, the share of loss of joint ventures of the Remaining Group was approximately RMB84 million.

For the year ended 31 December 2016, the finance costs of the Remaining Group was approximately RMB957 million, which primarily consists of the interest on the borrowing of approximately RMB10,499 million, interest on convertible bonds of approximately RMB2,279 million and interest on bonds payable of approximately RMB1,032 million.

As a result of the factors above, for the year ended 31 December 2016, the loss for the year of the Remaining Group was approximately RMB3,264 million.

The loss of the Remaining Group for the year ended 31 December 2016 was primarily attributable to the net other gains and losses and other expenses of approximately RMB2,202 million and finance costs of approximately RMB957 million.

#### *Solar power plant*

As at 31 December 2016, the principal asset of the Remaining Group was the solar power plants, and the carrying value of which was approximately RMB12,165 million.

#### *Liquidity, financial resources and capital structure*

As at 31 December 2016, the net assets value of the Remaining Group was approximately RMB5,860 million.

As at 31 December 2016, the total assets of the Remaining Group was approximately RMB 25,077 million, of which the non-current assets was approximately RMB18,958 million and the current assets was approximately RMB6,119 million.

As at 31 December 2016, the total liabilities of the Remaining Group was approximately RMB19,217 million, of which the non-current liabilities was approximately RMB10,231 million and the current liabilities was approximately RMB8,986 million.

The Remaining Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 124.24% as at 31 December 2015 to 253.92% as at 31 December 2016.

#### *Treasury policies*

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, while it was in a negative net cash position as at 31 December 2016.

The Remaining Group has always adopted a prudent treasury management policy. The Remaining Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2016, the Remaining Group was in a negative net cash position of approximately RMB13,208 million, which included cash and cash equivalents of approximately RMB606 million and bank and other borrowings of RMB10,499 million, convertible bonds of RMB2,279 million, bonds payable RMB1,032 million and obligation under finance leases of RMB4 million.

#### *Financing activities*

During year ended 31 December 2016, the Remaining Group earned continuous support from financial institutions to fund the development of solar business. The Remaining Group had successfully issued private placement bonds and obtained loans from financial institutions. These funds served as a significant support for enhancing liquidity and future business development.

	<i>RMB'000</i>
Financing Activities	
Issue of private placement bonds	450,000
Loans from financial institutions	<u>5,009,620</u>
<b>Total</b>	<b><u>5,459,620</u></b>

#### *Bank balances and cash, restricted bank deposits and pledged bank deposits*

As at 31 December 2016, the bank balances and cash and restricted bank deposits of the Remaining Group was approximately RMB606 million and approximately RMB1,405 million, respectively.

*Inventories*

As at 31 December 2016, the inventories of the Remaining Group was approximately RMB122 million, which primarily comprises raw materials, work-in-progress and finished goods.

*Trade and other receivables*

As at 31 December 2016, the trade and other receivables of the Remaining Group was approximately RMB2,537 million, which primarily comprises accrued revenue on tariff subsidy, trade receivables and amounts due from independent third parties.

*Borrowings*

As at 31 December 2016, the total amount of borrowings of the Remaining Group was approximately RMB10,499 million, of which the current amount of borrowings was approximately RMB2,447 million and the non-current amount of borrowings was approximately RMB8,052 million. The current amount of borrowings primarily consist of borrowings of the PRC Power Generation Business of approximately RMB2,317 million, and the non-current amount of borrowings primarily consist of the Sino Alliance Facility of approximately RMB2,264 million, the loans from China Minsheng Banking Corporation Ltd (Hong Kong Branch) of approximately RMB836 million and long-term loans of the PRC Power Generation Business of approximately RMB4,943 million.

*Derivative financial liabilities*

As at 31 December 2016, the derivative financial liability of the Remaining Group was approximately RMB8 million, which primarily consist of the financial liabilities arising from the revaluation of the warrants in respect of Lattice Power.

*Convertible bonds*

As at 31 December 2016, the total amount of convertible bonds of the Remaining Group was approximately RMB2,279 million, of which the current amount of convertible bonds was approximately RMB1,166 million and the non-current amount of convertible bonds was approximately RMB1,113 million. The current amount of convertible bonds primarily consist of the first tranche convertible bonds of approximately RMB18 million, the second tranche convertible bonds of approximately RMB148 million, the fourth tranche convertible bonds of approximately RMB28 million and the fifth tranche convertible bonds of approximately RMB972 million. The non-current amount of convertible bonds primarily consist of the first tranche convertible bonds of approximately RMB51 million, the second tranche convertible bonds of approximately RMB191 million, the third tranche convertible bonds of approximately RMB416 million and the fourth tranche convertible bonds of approximately RMB455 million.

*Bond payables*

As at 31 December 2016, the total amount of bonds payables by the Remaining Group was approximately RMB1,032 million, all of which are non-current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB1,032 million issued from Shunfeng Investments. There was no current amount of bonds payable by the Remaining Group as at 31 December 2016.

*Current ratio*

As at 31 December 2016, the current ratio of the Remaining Group (calculated as the current assets divided by current liabilities) was 0.68.

*Capital commitments*

The Remaining Group had a capital commitment of RMB3,647 million in relation to the construction-in-progress of solar power plants as at 31 December 2016.

*Hedging*

The Remaining Group did not enter into any financial instrument for hedging purposes nor did the Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

*Significant investments held and material acquisitions or disposals*

The Remaining Group completed three transactions in relation to disposal of certain solar power plants to the independent third parties during the year of 2016.

Save as disclosed above, the Remaining Group did not hold other significant investment for the year ended 31 December 2016.

*Employees and remuneration policies*

As at 31 December 2016, the total number of employees of the Remaining Group was 1,167.

For the year ended 31 December 2016, the staff costs of the Remaining Group was approximately RMB128 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

*Charges on assets*

As at 31 December 2016, the Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB1,117 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB10,458 million to various banks for securing loans and general credit facilities granted to the Remaining Group.

As at 31 December 2016, the Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB1,405 million to banks to secure banking credit facilities granted to the Remaining Group.

Save as disclosed above, as at 31 December 2016, none of the other assets of the Remaining Group were pledged in favor of any financial institution.

*Exposure to fluctuations in exchange rates and any related hedges*

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Remaining Group to foreign exchange risk. The Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

*Contingent liabilities*

As at 31 December 2016, the Remaining Group provided guarantees to its joint venture and independent third parties with a total amount of approximately RMB228 million, of which approximately RMB228 million has been provided and recognized as provision in the statement of financial position. The Remaining Group also had contingent liabilities of RMB9.6 million in relation to certain unresolved legal claims arising from the acquisition of Lattice Power. As at 31 December 2016, save as disclosed above, the Remaining Group had no significant contingent liabilities.

*Dividend policy*

No dividend was paid or proposed of the Remaining Group for the year ended 31 December 2016.



**For the year ended 31 December 2017***Solar Power Generation*

During the year ended 31 December 2017, the solar power plants owned by the Remaining Group generated an aggregate of approximately 1,512,121MWh.

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>% of</b>
	<i>MWh</i>	<i>MWh</i>	<b>Changes</b>
<b>Power generation volume</b>	1,512,121	1,282,217	17.9%

As at 31 December 2017, the Remaining Group's solar power plants successfully realised a total installed capacity of approximately 1.5GW of on-grid generation.

*Production and Sales of LED Products*

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB40.0 million or 14.3% from RMB280.0 million for the year ended 31 December 2016 to RMB320.0 million for the year ended 31 December 2017.

*Business review*

For the year ended 31 December 2017, the revenue of the Remaining Group was approximately RMB1,534 million, of which approximately 79.14% were primarily attributable to the solar power generation and sale of electricity to third party customers (including State Grid) and approximately 20.86% were attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB143 million, or 10.28%, from RMB1,391 million for the year ended 31 December 2016, primarily attributable to the fact that most of the solar power plants of the Remaining Group that completed on-grid connection before 2017 have completed testing and commenced operation in 2017 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 17.9% from 1,282,217 MWh for the year ended 31 December 2016 to 1,512,121 MWh for the year ended 31 December 2017 and sales revenue from LED products increased by 14.3% from RMB280 million for the year ended 31 December 2016 to RMB320 million for the year ended 31 December 2017.

For the year ended 31 December 2017, the cost of sales of the Remaining Group decreased by approximately RMB45 million, or 12.10%, from approximately RMB1,035 million for the year ended 31 December 2016 to approximately RMB990 million for the year ended 31 December 2017, primarily attributable to the optimized products in the LED Business, as a result of which the gross profit of the Remaining Group was approximately RMB544 million.

For the year ended 31 December 2017, the other income of the Remaining Group for the year ended 31 December 2017 was approximately RMB173 million, which consists of, among other things, the government grants of approximately RMB119 million and bank interest income of approximately RMB42 million.

For the year ended 31 December 2017, net other gains and losses and other expenses of the Remaining Group was approximately RMB117 million. The net other gains and losses and other expenses of the Remaining Group consist of, among other things, impairment loss on trade and other receivables, impairment loss on solar power plants, loss allowance recognised on financial guarantee contracts and partially offset by net gain on foreign exchange.

For the year ended 31 December 2017, the distribution and selling expenses of the Remaining Group was approximately RMB14 million, which primarily consists of the shipment costs of LED products. For the year ended 31 December 2017, the administrative expenses of the Remaining Group was approximately RMB243 million, which primarily consists of administrative expenses for the PRC Power Generation Business of approximately RMB89 million, administrative expenses for the LED Business of approximately RMB113 million and certain other group-level audit, legal, consulting and other related expenses of approximately RMB41 million. For the year ended 31 December 2017, the research and development expenditure of the Remaining Group was approximately RMB35 million, which primarily consists of the expenses on research and development investment and related material costs.

For the year ended 31 December 2017, the share of loss of associates of the Remaining Group was approximately RMB1 million.

For the year ended 31 December 2017, the finance costs of the Remaining Group was approximately RMB1,358 million, which primarily consists of the interest on the borrowing of approximately RMB9,918 million, interest on the current bonds payables of approximately RMB1,045 million and interest on convertible bonds of approximately RMB1,511 million.

As a result of the factors above, for the year ended 31 December 2017, the loss for the year of the Remaining Group was approximately RMB1,048 million.

The loss of the Remaining Group for the year ended 31 December 2017 was primarily attributable to the finance costs of approximately RMB1,358 million.

#### *Solar power plant*

As at 31 December 2017, the principal asset of the Remaining Group was the solar power plants, and the carrying value of which was approximately RMB11,733 million.

*Liquidity, financial resources and capital structure*

As at 31 December 2017, the net assets value of the Remaining Group was approximately RMB4,863 million.

As at 31 December 2017, the total assets of the Remaining Group was approximately RMB22,597 million, of which the non-current assets was approximately RMB18,161 million and the current assets was approximately RMB4,436 million.

As at 31 December 2017, the total liabilities of the Remaining Group was approximately RMB17,734 million, of which the non-current liabilities was approximately RMB5,593 million and the current liabilities was approximately RMB12,141 million.

The Remaining Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from 253.92% as at 31 December 2016 to 253.61% as at 31 December 2017.

*Treasury policies*

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, while it was in a negative net cash position as at 31 December 2017.

The Remaining Group has always adopted a prudent treasury management policy. The Remaining Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2017, the Remaining Group was in a negative net cash position of approximately RMB12,333 million, which included cash and cash equivalents of approximately RMB144 million and bank and other borrowings of RMB9,918 million, convertible bonds of RMB1,511 million, bonds payable RMB1,045 million and obligation under finance leases of RMB3 million.

*Financing Activities*

During year ended 31 December 2017, the Remaining Group earned continuous support from financial institutions to fund the development of the PRC Power Generation Business and LED Business. In 2017, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

*Bank balances and cash, restricted bank deposits and pledged bank deposits*

As at 31 December 2017, the bank balances and cash and restricted bank deposits of the Remaining Group was approximately RMB144 million and approximately RMB820 million, respectively.

*Inventories*

As at 31 December 2017, the inventories of the Remaining Group was approximately RMB152 million, which primarily comprises raw materials, work-in-progress and finished goods of the LED Business.

*Trade and other receivables*

As at 31 December 2017, the trade and other receivables was approximately RMB1,967 million, which primarily comprises accrued revenue on tariff subsidy, trade receivables and amounts due from independent third parties.

*Borrowings*

As at 31 December 2017, the total amount of borrowings of the Remaining Group was approximately RMB9,918 million, of which the current amount of borrowings was approximately RMB5,419 million and the non-current amount of borrowings was approximately RMB4,499 million. The current amount of borrowings primarily consist of the Sino Alliance Facility of approximately RMB2,090 million, the loans from China Minsheng Banking Corporation Ltd (Hong Kong Branch) of approximately RMB819 million, the borrowings of the LED Business of approximately RMB130 million and short-term loans of the PRC Power Generation Business of approximately RMB2,380 million. The non-current amount of borrowings primarily consist of long-term loans of the PRC Power Generation Business of approximately RMB4,478 million.

*Derivative financial liabilities*

As at 31 December 2017, the derivative financial liability of the Remaining Group was approximately RMB3 million, which primarily consist of the financial liabilities arising from the revaluation of the warrants in respect of Lattice Power.

*Convertible bonds*

As at 31 December 2017, the total amount of convertible bonds of the Remaining Group was approximately RMB1,511 million, of which the current amount of convertible bonds was approximately RMB429 million and the non-current amount of convertible bonds was approximately RMB1,082 million. The current amount of convertible bonds primarily consist of the first tranche convertible bonds of approximately RMB36 million, the second tranche convertible bonds of approximately RMB366 million and the fourth tranche convertible bonds of approximately RMB27 million. The non-current amount of convertible

bonds primarily consist of the first tranche convertible bonds of approximately RMB48 million, the third tranche convertible bonds of approximately RMB505 million and the fourth tranche convertible bonds of approximately RMB529 million.

#### *Bond payables*

As at 31 December 2017, the total amount of bonds payables by the Remaining Group was approximately RMB1,045 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB1,045 million issued from Shunfeng Investments. There was no non-current amount of bonds payable by the Remaining Group as at 31 December 2017.

#### *Current ratio*

As at 31 December 2017, the current ratio of the Remaining Group (calculated as the current assets divided by current liabilities) was 0.37.

#### *Capital commitments*

The Remaining Group had a capital commitment of RMB74 million in relation to the construction-in-progress of solar power plants as at 31 December 2017.

#### *Hedging*

The Remaining Group did not enter into any financial instrument for hedging purposes nor did the Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

#### *Significant investments held and material acquisitions and disposals*

There were no significant investments held and material acquisitions and disposals by the Remaining Group as at 31 December 2017.

#### *Employees and remuneration policies*

As at 31 December 2017, the total number of employees of the Remaining Group was 1,236.

For the year ended 31 December 2017, the staff costs of the Remaining Group was approximately RMB132 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

*Charges on assets*

As at 31 December 2017, the Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB954 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB10,022 million to various banks for securing loans and general credit facilities granted to the Remaining Group.

As at 31 December 2017, the Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB820 million to banks to secure banking credit facilities granted to the Remaining Group.

Save as disclosed above, as at 31 December 2017, none of the other assets of the Remaining Group were pledged in favor of any financial institution.

*Exposure to fluctuations in exchange rates and any related hedges*

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Remaining Group to foreign exchange risk. The Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

*Contingent liabilities*

As at 31 December 2017, the Remaining Group provided guarantees to independent third parties with a total amount of approximately RMB343 million, of which approximately RMB265 million has been provided and recognized as provision in the statement of financial position. As at 31 December 2017, save as disclosed above, the Remaining Group had no significant contingent liabilities.

*Dividend policy*

No dividend was paid or proposed of the Remaining Group for the year ended 31 December 2017.

**For the year ended 31 December 2018***Solar Power Generation*

During the year ended 31 December 2018, the solar power plants owned by the Remaining Group generated an aggregate of approximately 1,736,745MWh.

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>% of</b>
	<i>MWh</i>	<i>MWh</i>	<b>Changes</b>
<b>Power generation volume</b>	1,736,745	1,512,121	14.9%

As at 31 December 2018, the Remaining Group's solar power plants successfully realised a total installed capacity of approximately 1.5GW of on-grid generation.

*Production and Sales of LED Products*

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB15 million or 4.5% from RMB320 million for the year ended 31 December 2017 to RMB335 million for the year ended 31 December 2018.

*Business review*

For the year ended 31 December 2018, the revenue of the Remaining Group was approximately RMB1,645 million, of which approximately 79.64% were primarily attributable to the solar power generation and sale of electricity to third party customers (including State Grid), approximately 20.36% were attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB110 million, or 7.2%, from RMB1,534 million for the year ended 31 December 2017, primarily attributable to the fact that (i) most of the solar power plants of the Remaining Group that completed on-grid connection before 2018 have completed testing and commenced operation before 2018 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 14.9% from 1,512,121 MWh for the year ended 31 December 2017 to 1,736,745 MWh for the year ended 31 December 2018; and (ii) sales revenue from LED products increased by 4.5% from RMB320 million for the year ended 31 December 2017 to RMB335 million for the year ended 31 December 2018.

For the year ended 31 December 2018, the cost of sales of the Remaining Group increased by approximately RMB38 million, or 3.8%, from approximately RMB990 million for the year ended 31 December 2017 to approximately RMB1,028 million for the year ended 31 December 2018, primarily attributable to the increase in power generation volume of solar power generation business, as a result of which the gross profit of the Remaining Group was approximately RMB617 million.

For the year ended 31 December 2018, the other income of the Remaining Group for the year ended 31 December 2018 was approximately RMB130 million, which consists of, among other things, the government grants of approximately RMB97 million and imputed interest income of accrued revenue on tariff subsidy of approximately RMB30 million.

For the year ended 31 December 2018, net other gains and losses and other expenses of the Remaining Group was approximately RMB187 million. The net other gains and losses and other expenses of the Remaining Group consist of, among other things, net loss on foreign exchange, impairment loss on interest in subsidiaries and loss on derecognition of other receivable and partially offset by net gain on the disposal of property, plant and equipment.

For the year ended 31 December 2018, the distribution and selling expenses of the Remaining Group was approximately RMB12 million, which primarily consists of the shipment costs of LED products. For the year ended 31 December 2018, the administrative expenses of the Remaining Group was approximately RMB228 million, which primarily consists of administrative expenses for the PRC Power Generation Business of approximately RMB77 million, administrative expenses for the LED Business of approximately RMB86 million and certain other group-level audit, legal, consulting and other related expenses of approximately RMB65 million. For the year ended 31 December 2018, the research and development expenditure of the Remaining Group was approximately RMB41 million, which primarily consists of the expenses on research and development investment and related material costs for the LED Business.

For the year ended 31 December 2018, the share of loss of associates of the Remaining Group was approximately RMB3 million.

For the year ended 31 December 2018, the finance costs of the Remaining Group was approximately RMB1,188 million, which primarily consists of the interest on the borrowing of approximately RMB10,087 million, interest on the current bonds payables of approximately RMB830 million and interest on convertible bonds of approximately RMB1,679 million.

As a result of the factors above, for the year ended 31 December 2018, the loss for the year of the Remaining Group was approximately RMB974 million.

The loss of the Remaining Group for the year ended 31 December 2018 was primarily attributable to the finance costs of approximately RMB1,188 million.

#### *Solar power plant*

As at 31 December 2018, the principal asset of the Remaining Group was the solar power plants, and the carrying value of which was approximately RMB11,289 million.



*Liquidity, financial resources and capital structure*

As at 31 December 2018, the net assets value of the Remaining Group was approximately RMB3,923 million.

As at 31 December 2018, the total assets of the Remaining Group was approximately RMB21,590 million, of which the non-current assets was approximately RMB17,752 million and the current assets was approximately RMB3,838 million.

As at 31 December 2018, the total liabilities of the Remaining Group was approximately RMB17,668 million, of which the non-current liabilities was approximately RMB4,573 million and the current liabilities was approximately RMB13,095 million.

The Remaining Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 253.61% as at 31 December 2017 to 318.12% as at 31 December 2018.

*Treasury policies*

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, while it was in a negative net cash position as at 31 December 2018.

The Remaining Group has always adopted a prudent treasury management policy. The Remaining Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2018, the Remaining Group was in a negative net cash position of approximately RMB12,480 million, which included cash and cash equivalents of approximately RMB116 million, bank and other borrowings of RMB10,087 million, convertible bonds of RMB1,679 million, and bonds payable of RMB830 million.

*Financing Activities*

During year ended 31 December 2018, the Remaining Group continued to receive support from financial institutions to fund the development of the PRC Power Generation Business and LED Business. In 2018, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

*Bank balances and cash, restricted bank deposits and pledged bank deposits*

As at 31 December 2018, the bank balances and cash and restricted bank deposits of the Remaining Group was approximately RMB116 million and approximately RMB424 million, respectively.

*Inventories*

As at 31 December 2018, the inventories of the Remaining Group was approximately RMB134 million, which primarily comprises raw materials, work-in-progress and finished goods in the LED Business.

*Trade and other receivables*

As at 31 December 2018, the trade and other receivables was approximately RMB2,375 million, which primarily comprises accrued revenue on tariff subsidy, trade receivables and amounts due from independent third parties.

*Borrowings*

As at 31 December 2018, the total amount of borrowings of the Remaining Group was approximately RMB10,087 million, of which the current amount of borrowings was approximately RMB6,523 million and the non-current amount of borrowing was approximately RMB3,564 million. The current amount of borrowings of the Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB2,191 million, the loan from China Minsheng Banking Corporation Ltd (Hong Kong Branch) of approximately RMB859 million, the borrowings of the LED Business of approximately RMB130 million and short-term loans of the PRC Power Generation Business of approximately RMB3,145 million. The non-current amount of borrowings of the Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB3,564 million.

*Derivative financial liability*

As at 31 December 2018, the derivative financial liability of the Remaining Group was approximately RMB3 million, which primarily consist of the financial liabilities arising from the revaluation of the warrants in respect of Lattice Power.

*Convertible bonds*

As at 31 December 2018, the total amount of convertible bonds of the Remaining Group was approximately RMB1,679 million, of which the current amount of convertible bonds was approximately RMB682 million and the non-current amount of convertible bonds was approximately RMB997 million. The current amount of convertible bonds primarily consist of the first tranche convertible bonds of approximately RMB36 million, the second tranche convertible bonds of approximately RMB2 million and the fourth tranche convertible bonds of approximately RMB633 million. The non-current amount of convertible bonds primarily consist of the first tranche convertible bonds of approximately RMB14 million, the second tranche convertible bonds of approximately RMB370 million and the fourth tranche convertible bonds of approximately RMB613 million.

*Bond payables*

As at 31 December 2018, the total amount of bonds payables by the Remaining Group was approximately RMB830 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB830 million issued from Shunfeng Investments. There was no non-current amount of bonds payable by the Remaining Group as at 31 December 2018.

*Current ratio*

As at 31 December 2018, the current ratio of the Remaining Group (calculated as the current assets divided by current liabilities) was 0.29.

*Capital commitments*

The Remaining Group had a capital commitment of RMB59 million in relation to the construction-in-progress of PRC Power Generation Business as at 31 December 2018.

*Hedging*

The Remaining Group did not enter into any financial instrument for hedging purposes nor did the Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

*Significant investments held and material acquisitions and disposals*

There were no significant investments held and material acquisitions and disposals by the Remaining Group as at 31 December 2018.

*Employees and remuneration policies*

As at 31 December 2018, the total number of employees of the Remaining Group was 972.

For the year ended 31 December 2018, the staff costs of the Remaining Group was approximately RMB140 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

*Charges on assets*

As at 31 December 2018, the Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB1,858 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB8,125 million to various banks for securing loans and general credit facilities granted to the Remaining Group.

As at 31 December 2018, the Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB424 million to banks to secure banking credit facilities granted to the Remaining Group.

Save as disclosed above, as at 31 December 2018, none of the other assets of the Remaining Group were pledged in favor of any financial institution.

*Exposure to fluctuations in exchange rates and any related hedges*

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Remaining Group to foreign exchange risk. The Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

*Contingent liabilities*

As at 31 December 2018, the Remaining Group provided guarantees to independent third parties with a total amount of approximately RMB328 million, of which approximately RMB269 million has been provided and recognized as provision in the statement of financial position. As at 31 December 2018, save as disclosed above, the Remaining Group had no significant contingent liabilities.

*Dividend policy*

No dividend was paid or proposed of the Remaining Group for the year ended 31 December 2018.

**Outlook and future prospects**

Please refer to the section headed “Financial and Trading Prospects of the Remaining Group” in the Letter from the Board for the outlook and future prospects of the Remaining Group.



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30 December 2018

The Board of Directors

**Shunfeng International Clean Energy Limited**

Room C, 30th Floor, Bank of China Tower,

No. 1 Garden Road, Central, Hong Kong

Dear Sirs/Madams,

**Re: Valuation of 100% Equity Interest of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd**

In accordance with your instructions, AVISTA Valuation Advisory Limited (“AVISTA” or “we”) has conducted a business valuation in connection with the 100% equity interest of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. (“SF Tech” or the “Target”, together with its subsidiaries and associates as the “Target Group”) as of 30 June 2018 (the “Valuation Date”). We understand that Shunfeng International Clean Energy Limited (the “Company”, “SFCE” or “you”) intends to dispose 100% shareholding of the Target (the “Proposed Disposal”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “Directors”) and used for the Proposed Disposal solely for your internal reference purpose. This report (the “Report”) does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

**BASIS OF ANALYSIS**

We have appraised the fair value of 100% equity interest of the Target Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **COMPANY BACKGROUND**

SFCE manufactures and sells solar products mainly in the People's Republic of China (the "PRC"). It is principally engaged in (i) the provision of manufacturing and sales of solar products; (ii) the provision of solar power generation; (iii) the provision of plant operation and services; and (iv) the provision of manufacturing and sales of light-emitting diode products.

The Target is a wholly-owned subsidiary of SFCE. Under SF Tech, major operating entities include Wuxi Suntech Power Co., Ltd.; Luoyang Suntech Solar Power Co., Ltd.; Jiangsu Shunfeng New Energy Technology Co., Ltd.; Meteocontrol GmbH; J Energy Power L.P.; and SF SolPower AG; etc. The Target Group principally engaged in the manufacturing and sales of solar cells, modules and panel in the PRC. It also has other businesses including construction, operations and sale of solar power plants in Europe and Japan, and plant management and energy solution services.

We understand that the Company intends to dispose 100% equity interest of the Target. As such, the Company would like to assess the fair value of the 100% equity interest of the Target Group as of the Valuation Date.

### **SCOPE OF WORK**

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Group to understand the history, business model, operations, business development plan, etc. of the Target Group for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Group made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target Group; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Group and their authorized representatives.

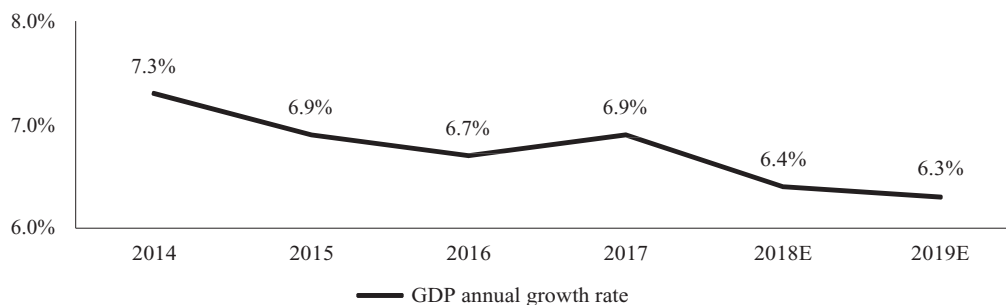
## INDUSTRY OVERVIEW

### Overview of the PRC economy

According to the World Bank, the gross domestic product (“GDP”) growth rate of the PRC has been slowing down for years. The year-on-year GDP growth rate of the PRC increased from 6.7% in 2016 to 6.9% in 2017, marking the first acceleration since past years. As the second-largest economy of the world, the PRC’s economy has succeeded in achieving the 2017 GDP growth target of 6.5% set by the central government and quickened from the weakest rate in the past years.

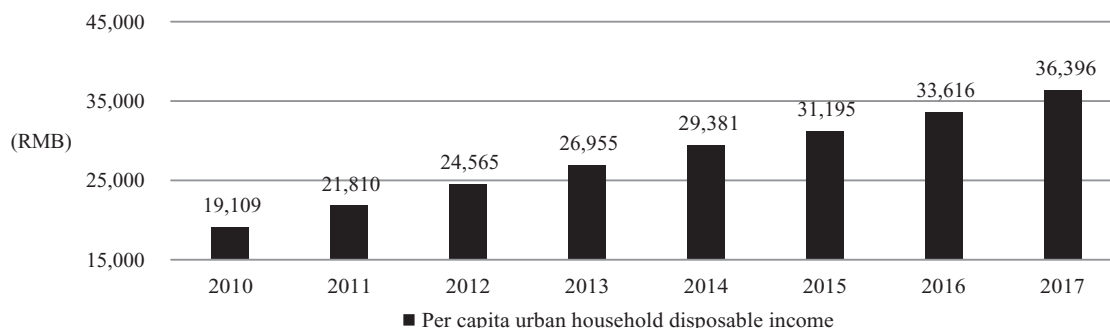
In 2017, the GDP of the PRC reached RMB82.71 trillion, in which the service sector has accounted for more than 50% of the total GDP. The main driver was the strong growth in consumption, accounting for 59% of the GDP growth. According to the National Bureau of Statistics, per capita disposable income of the PRC in 2017 was RMB36,396, with a compound annual growth rate of 9.6% from 2010 which reflected the increasing purchasing power of Chinese citizens.

**Annual GDP Growth Rate of the PRC**



(Source: The World Bank)

### Per Capita Urban Household Disposable Income of the PRC



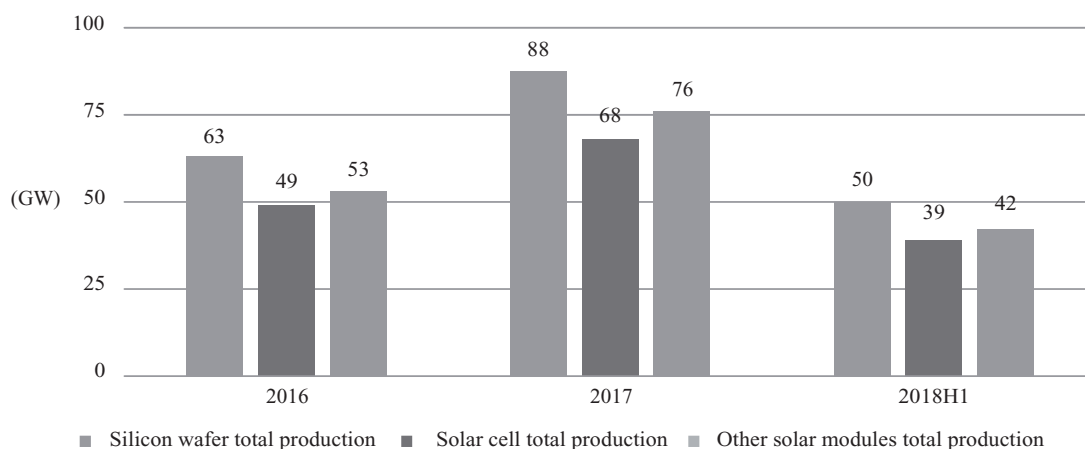
(Source: The National Bureau of Statistics)

### Overview of the PRC solar products manufacturing and sales market

Along the industrial chain of the solar industry, the upper and the middle business streams are mainly referring to the production of silicon wafer, solar cell and modules. According to the National Energy Administration of China, the solar industry has grown rapidly since 2013 which has enshrined the upper stream of manufacturing and sales of solar products. The total production of solar products has increased from 165 Gigawatt (“GW”) in 2016 to 232 GW in 2017, experiencing a 41% growth rate. Among all solar products, the monocrystalline silicon wafer has accounted for over half of the total amount.

In general, sales of solar products can be classified into domestic use and export. According to the China Photovoltaic Industry Association (the “CPIA”), the total export of solar products was USD5.5 billion in the first half year of 2018, experiencing an annualized growth rate of 21.2%. Among all export countries, over 30% of the solar products were exported to India and Japan.

### Total Production of Solar Products in the PRC



(Source: The National Energy Administration of China)

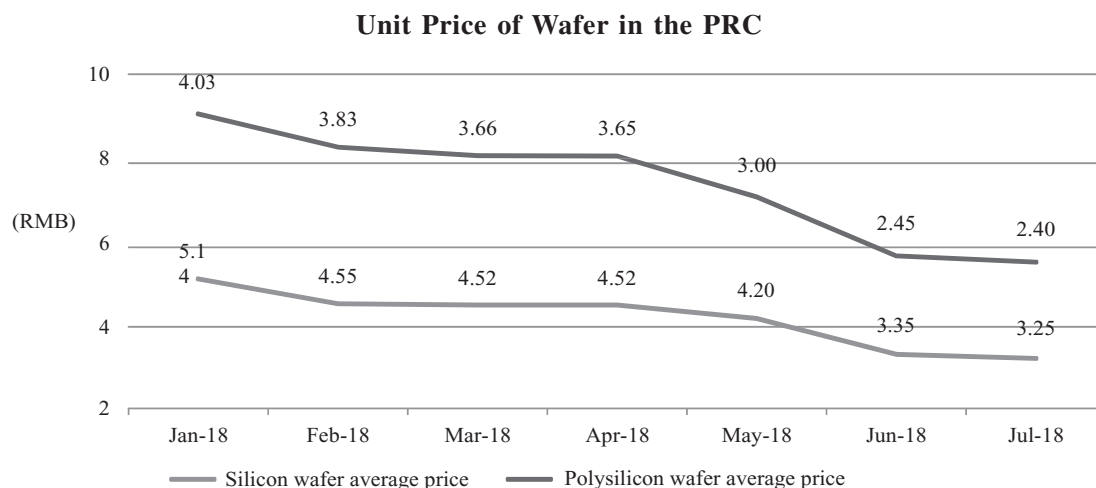


### Overview of the Chinese government policy toward solar industry

Announced by the National Development and Reform Commission, the Ministry of Finance and the Nation Energy Administration on 31 May 2018, a new policy was executed to trim down subsidies on the solar industry (the “**531 Policy**”). According to the “國家發展改革委財政部國家能源局關於2018年光伏發電有關事項的通知”, the 531 Policy imposes a ceiling on the solar power industry by accelerating the subsidy cuts and lowering the on-grid tariffs. It aims to phase out old companies that are subsidy-dependent and consolidate the market with only companies with certain degree of technological advancement and cost efficiency to thrive.

According to a research conducted by Silicon Industry of China Nonferrous Metals Industry Association, silicon and wafer companies have already exhibited significant drawbacks from June to July after the announcement of the 531 Policy. The monthly output of domestic polysilicon in the PRC was averaged at around 24.3k tons from the period of January to May 2018, yet it dropped to 19.1k tons and 18.6k tons in June and July 2018 respectively.

As a result, unit prices of both silicon and polysilicon wafer have suffered a dive, in which silicon wafer has decreased from January 2018 of RMB4.03 per unit to July 2018 of RMB2.40 per unit, representing an approximate 40% reduction in 7 months. Huge losses have been suffered in some wafer and module companies which caused some of them ceasing to exist or produce. The implementation of 531 Policy has imposed uncertainties to the solar industry.



(Source: Silicon Industry of China Nonferrous Metals Industry Association)

### LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Group).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Disposal and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target Group as of 30 June 2018 provided by the management of the Company, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

#### **VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS**

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the comparable companies are engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

**VALUATION APPROACH****General Valuation Approaches**

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Group:

**Income Approach**                      The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“**DCF**”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

**Cost Approach**                         The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

**Market Approach**                      The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

### Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.
- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Referring to the historical performance of the Target Group, its profitability is highly determined by the market prices of their products and raw materials. From FY2016 to FY2018, the unit prices of its products were in a decreasing trend causing its gross profit and net profit margin to drop significantly during the period. The gross profit of the Target Group was RMB1,033.8 million in FY2017 and RMB388.7 million in the first half of FY2018, representing a gross profit margin of 12.0% and 8.9% respectively. Earnings before interest, tax, depreciation and amortization (“**EBITDA**”)<sup>(1)</sup> were RMB719.8 million in FY2017 and RMB149.1 million in first half of FY2018, representing an EBITDA margin of 8.4% and 3.4% respectively. After considering depreciation, taxation and finance cost, the normalized net profit<sup>(2)</sup> was RMB99.2 million in FY2017, while the normalized net loss<sup>(2)</sup> was RMB189.5 million in the first half of FY2018. The management considers that they cannot provide a precise and concrete financial projection on the business due to the evolving uncertainties of market environment. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

(1) EBITDA = Operating Income or Losses + Depreciation and Amortization

(2) Normalized net profit/loss = Net profit/loss – Non-operating or non-recurring income + Non-operating or non-recurring expense

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies.

The comparable transactions are selected with reference to the following selection criteria:

- The primary industry of the acquiree is provision of the manufacturing and sales of solar products;
- The principal business activities are mainly conducted in the PRC;
- The transaction is announced between January 2017 and June 2018; and
- The financial information of the companies is available to the public.

Based on our research results, there are four transactions with the acquirees engaging in similar businesses in the PRC as the Target Group. Details of the transactions are illustrated as follows:

Announcement Date	Acquiree	Acquirer	Business Description of the Acquiree	% of Shareholding Acquired	Consideration	Implied Equity Value/Book Value Multiple	Implied Equity Value/Net Income Multiple	Implied Enterprise Value/EBITDA Multiple
16 Oct 2017	Gintech Energy Corporation	United Renewable Energy Co., Ltd. (previously known as Neo Solar Power Corp.)	Gintech Energy Corporation produces and sells crystalline solar cells and modules. It distributes its products to module manufacturers and system companies.	100%	TWD11,384 million	1.0x	N/A <sup>(1)</sup>	35.8x
16 Oct 2017	Solartech Energy Corp.	United Renewable Energy Co., Ltd. (previously known as Neo Solar Power Corp.)	Solartech Energy Corp. designs, manufactures, and sells solar cells, modules, and systems.	100%	TWD6,896 million	1.0x	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
6 Jun 2017	JA Solar Holdings Co., Ltd.	Jinglong Group Co., Ltd.	JA Solar Holdings Co., Ltd., together with its subsidiaries, designs, develops, manufactures, and sells solar power products based on crystalline silicon technologies.	74.4%	USD268 million	0.3x	7.6x	4.5x

Announcement Date	Acquiree	Acquirer	Business Description of the Acquiree	% of Shareholding Acquired	Consideration	Implied Equity Value/Book Value Multiple	Implied Equity Value/Net Income Multiple	Implied Enterprise Value/EBITDA Multiple
11 Jan 2017	EGing Photovoltaic Technology Co.,Ltd.	Shenzhen Qinchengda Investment Management Co., Ltd.	EGing Photovoltaic Technology Co.,Ltd. researches, develops, manufactures, and sells photovoltaic (“PV”) products which includes mono and poly silicon solar modules.	20.0%	RMB2,900 million	4.8x	52.7x	21.2x

Source: S&P Capital IQ

- (1) Since the acquiree has exhibited net loss or negative EBITDA, the corresponding multiple is considered not applicable for reference.

Given the fact that only limited number of recent comparable transactions can be identified, while there is a wide range of multiples, we consider that the multiple derived based on comparable transactions may not be representable for our valuation, and thus, the comparable transactions method is not appropriate for this valuation.

By adopting comparable company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is provision of the manufacturing and sales of solar products;
- The principal business activities are mainly conducted in the PRC;
- The companies are listed in all major exchange markets in the United States of America (“US”) or Hong Kong; and
- The financial information of the companies is available to the public.

Details of the selected comparable companies are listed as follows:

Company Name	Stock Code	Listing	Location Business Description	Revenue Contribution from Business Segment(s) <sup>(1)</sup>
Comtec Solar Systems Group Limited (“Comtec Solar”)	SEHK: 712	Hong Kong	Comtec Solar Systems Group Limited, an investment holding company, engages in the design, development, manufacture, and marketing of solar wafers and ingots in the PRC and Malaysia. The company offers solar grade products, such as pseudo square bricks, slurry wafers, and polysilicon products. It is also involved in research and development, design, integration, and sale of lithium battery management systems and lithium battery systems; trading of solar products; and investment, development, construction, and operation of solar photovoltaic power stations, as well as provision of processing services for the solar products.	Manufacturing and sales of solar product (60.3%); Trading of solar and power storage product (30.1%); Provision of processing services and consulting service (9.6%)
Hanwha Q CELLS Co., Ltd. (“Hanwha Q”)	NasdaqGS: HQCL	US	Hanwha Q CELLS Co., Ltd., a solar energy company, develops, manufactures, and sells solar cells and photovoltaic modules in South Korea, the United States, Europe, Japan, Australia, the PRC, India, Turkey, and internationally. Its principal products include PV cells, PV modules, silicon ingots, and silicon wafers. The company also develops and sells solar power projects; and offers engineering, procurement, and construction, as well as operation and management services. In addition, it offers services for the development and installation of ground-mounted and commercial rooftop PV systems. Hanwha Q CELLS Co., Ltd. serves utility companies and system integrators directly, as well as through third-party distributors.	PV module (94.8%); PV cells (0.5%); Ingots and wafers (0.9%); PV downstream business (1.9%); Others (1.9%)
JinkoSolar Holding Co., Ltd. (“JinkoSolar”)	NYSE: JKS	US	JinkoSolar Holding Co., Ltd., together with its subsidiaries, engages in the design, development, production, and marketing of photovoltaic products in the PRC and internationally. The company offers solar modules, silicon wafers, solar cells, recovered silicon materials, and silicon ingots. It also provides solar system integration services; and develops commercial solar power projects. The company sells its products to distributors, project developers, and system integrators under the JinkoSolar brand, as well as on an original equipment manufacturer basis.	Silicon wafers (1.7%); Solar cells 1.3%); Solar modules (96.9%); Electricity generation (0.1%)

Company Name	Stock Code	Listing	Location Business Description	Revenue Contribution from Business Segment(s) <sup>(1)</sup>
Canadian Solar Inc. (“Canadian Solar”)	NasdaqGS: CSIQ	US	Canadian Solar Inc., together with its subsidiaries, designs, develops, manufactures, and sells solar ingots, wafers, cells, modules, and other solar power products primarily under the Canadian Solar brand name. The company operates through two segments, Module and System Solutions, and Energy. Its products include various solar modules that are used in residential, commercial, and industrial solar power generation systems. The company also provides specialty solar products consisting of Andes Solar Home System, an off-grid solar system that provides an economical source of electricity to homes and communities without access to grid; and Maple Solar System, a clean energy solution for families, as well as solar system kits, which are a ready-to-install packages that consist inverters, racking systems, and other accessories.	Module and system solution segment (84.1%); Energy segment (20.0%); Elimination (-4.1%)
Daqo New Energy Corp. (“Daqo New Energy”)	NYSE: DQ	US	Daqo New Energy Corp., together with its subsidiaries, manufactures and sells polysilicon and wafers in the PRC. It operates through two segments, Polysilicon and Wafers. The company offers polysilicon to photovoltaic product manufacturers who further process its polysilicon into ingots, wafers, cells, and modules for solar power solutions.	Polysilicon (91.6%); Wafer (16.6%); Elimination (-8.2%)



Company Name	Stock Code	Listing	Location Business Description	Revenue Contribution from Business Segment(s) <sup>(1)</sup>
Solargiga Energy Holdings Limited (“Solargiga”)	SEHK: 757	Hong Kong	Solargiga Energy Holdings Limited, an investment holding company, engages in the manufacture, processing, and trading of polysilicon, monocrystalline, and multicrystalline silicon solar ingots and wafers in the PRC. It also manufactures and trades monocrystalline silicon solar cells and photovoltaic modules; designs, constructs, and operates photovoltaic systems; and operates and constructs photovoltaic power plants. The company serves silicon solar wafer, cell, or modules manufacturers or traders.	The manufacturing, trading and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers: (26.4%); The manufacturing and trading of photovoltaic modules: (71.1%); The manufacturing and trading of monocrystalline silicon solar cells: (1.8%); The construction and operation of photovoltaic power plants: (0.7%)
GCL-Poly Energy Holdings Limited (“GCL”)	SEHK: 3800	Hong Kong	GCL-Poly Energy Holdings Limited operates as a solar photovoltaic company in the PRC and internationally. It operates through solar material business, solar farm business, and new energy business segments. The solar material business segment primarily manufactures and sells polysilicon and wafer to companies operating in the solar industry. The solar farm business segment operates and manages solar farms in the United States and the PRC. The new energy business segment develops, constructs, operates, and manages solar farms.	Solar material business: (81.3%); Solar farm Business: (2.1%); New energy business: (16.6%)

Source: S&P Capital IQ and annual reports of the comparable companies

(1) Based on financial data from FY2017 annual report.

As over 50% of revenue of the above comparable companies are generated from manufacturing and sales of solar products, these comparable companies, together with the Target Group, are considered to be similarly subject to fluctuations in the economy and performance of the solar industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target Group, in which we have considered price-to-earnings (“P/E”), price-to-book (“P/B”), price-to-sales (“P/S”), enterprise value/sales (“EV/S”), enterprise value/earnings before interests and taxes (“EV/EBIT”) and enterprise value/earnings before interests, taxes, depreciation and amortization (“EV/EBITDA”) multiples.

P/E, EV/EBIT and EV/EBITDA multiples are considered not appropriate for this valuation as the Target Group has experienced a significant drop in gross profit margin and net profit margin in the first half of 2018, comparing to FY2017. Due to the drop of unit selling prices of the solar products, the gross profit margin of the Target Group has dropped from 12.0% to 8.9% in the first half of FY2018 comparing to FY2017. The Target Group became loss making and carries a negative EBIT in the first half of FY2018. Although EBITDA is positive, EBITDA were RMB 719.8 million in FY2017 and RMB 149.1 million in the first half of FY2018, representing a drop of EBITDA margin from 8.4% and 3.4%, which was the lowest during the last 3 years. Also, EBITDA margin of the Target Group is much lower than the average EBITDA margin of the comparable companies, which makes EBITDA not a good reference for the fair value of the Target Group. P/E, EV/EBIT and EV/EBITDA multiple are therefore not adopted in this valuation.

P/S and EV/S multiples are considered not appropriate for this valuation because they do not consider the profitability of the Target Group. The gross profit margin and net profit margin dropped significantly in the first half of 2018, its profit margins were lower than the average of comparable companies. As both P/S and EV/S multiples only focus on the sales amounts but not the margin, if the Target Group’s profit margin is not consistent with the market comparable companies, the result will be distorted. Thus, P/S and EV/S multiples are not adopted in this valuation.

Considered the above multiples are not appropriate, the P/B multiple is the only applicable multiple. As manufacturing and sales of solar products require heavy investment in fixed assets, its book value and current P/B multiple can reflect its business scales and trading premium or discount on their assets. Hence, it is adopted in the valuation of the Target Group.

The P/B multiples of comparable companies are as follows:

No.	Company Name	Reporting Currency (in mm)	Market Capitalization as of 30 June 2018	Net Asset Value <sup>(1)</sup>	P/B Before LOMD and Control Premium <sup>(1)</sup>	P/B After LOMD and Control Premium
1	Comtec Solar	RMB	154	233	0.66	0.72
2	Hanwha Q	USD	538	512	1.05	1.14
3	JinkoSolar	RMB	3,565	7,334	0.49	0.53
4	Canadian Solar	USD	717	1,104	0.65	0.71
5	Daqo New Energy	USD	457	439	1.04	1.13
6	Solargiga	RMB	358	950	0.38	0.41
7	GCL	RMB	11,462	22,757	0.50	0.55
	Maximum					1.14
	Minimum					0.41
	<b>Median<sup>(4)</sup></b>					<b>0.71</b>
	<b>Lack of Marketability Discount (“LOMD”)<sup>(2)</sup></b>					15.8%
	<b>Control Premium<sup>(3)</sup></b>					29.1%

*Notes:*

- (1) Data sourced from S&P Capital IQ database. The equity values of the comparable companies are computed based on the market capitalization of the companies as of 30 June 2018. Net asset value data are based on the latest financial data of the comparable companies available as of the Valuation Date.
- (2) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The P/B multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such P/B multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2018 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount is 15.8%. A marketability discount of 15.8% is considered appropriate and suitable for this valuation as we understand that the Target Group is a group of privately held companies.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Fair Value of Non-Marketable Interest} = \text{Fair Value of Marketable Interest} \times (1 - \text{LOMD})$$

- (3) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/B multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such P/B multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target Group's shares. The report "Control Premium Study: 2nd Quarter 2018" by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium is 29.1%. A control premium of 29.1% is considered appropriate and suitable for this valuation as we understand that the Company intends to dispose a controlling stake in the Target Group.

The value of controlling interest can be calculated from minority interest using the following formula:

$$\text{Fair Value of Controlling Interest} = \text{Fair Value of Minority Interest} \times (1 + \text{Control Premium})$$

Combining the adjustments on LOMD and control premium,

$$\text{Adjusted P/B multiple} = \text{P/B multiple} \times (1 - \text{LOMD}) \times (1 + \text{Control Premium})$$

- (4) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.

### Valuation Result

	<i>RMB'000</i>
Net Asset Value of the Target Group*	4,183,231
Adjusted Median P/B Multiple	0.71x
Estimated 100% Equity Value of the Target Group	2,952,354 <sup>^</sup>

\* The net asset value data is based on the consolidated financial statements of the Target Group as of 30 June 2018 reviewed by Deloitte Touche Tohmatsu LLP.

<sup>^</sup> The amount does not equal to the multiple of net asset value of the Target Group and the median multiples illustrated above due to rounding.

**CONCLUSION OF VALUE**

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target Group as of the Valuation Date is RMB2,952,354,000.

The conclusion of the fair 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 Shunfeng International Clean Energy Limited nor the value reported.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Vincent C B Pang**  
*CFA, FCPA(HK), CPA (Aus.)*  
*Managing Director*

Analysed and Reported by:

**Ivan K K Lui**  
*CFA, FCPA(HK), LL.M.*  
*Director*

**Leo K W Hung**  
*CPA(HK)*  
*Senior Manager*

**Mos H M Kwan**  
*Analyst*

*Note:* Mr. Vincent Pang is a member of CFA Institute and CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Vincent has over 15-year experience in financial valuation and business consulting in Hong Kong and the PRC.

**APPENDIX – GENERAL LIMITATIONS AND CONDITIONS**

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Disposal, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.
- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Disposal, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the

designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.
- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

## 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 regard to the Company. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. DIRECTORS' INTERESTS

### (a) Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives 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) (i) which were required 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 provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Directors/ chief executives	Capacity	Number of Shares Interested <i>(Note 1)</i>	Approximate percentage of issued Shares
Wang Yu	Beneficial owner	18,691,588(L)	0.38%

*Note:*

- The letter "L" denotes a long position in the shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any



of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

There was no contract or arrangement subsisting at the Latest Practicable Date in 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 2018, the date of which the latest published audited financial statements of the Group 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 any 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(e) Competing Interests**

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors nor their respective close associates (as defined in the Listing Rules) had any interests in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

**3. SUBSTANTIAL SHAREHOLDERS' INTEREST**

So far as is known to the Directors and chief executives of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the

Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares Interested	Approximate percentage of issued Shares
Peace Link Services Limited	Beneficial owner (Note 1)	3,144,049,545(L)	63.10%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	3,219,606,736(L)	64.62%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	3,226,558,736(L)	64.76%
Coherent Gallery International Limited	Beneficial owner (Note 4)	268,223,960(L)	5.38%
Faithsmart Limited	Interest of controlled corporation (Note 5)	3,219,606,736(L)	64.62%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 6)	437,118,989(L)	8.77%

Note:

- Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at the Latest Practicable Date, Peace Link Services Limited held 1,414,886,101 Shares in its personal capacity.
- Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% issued shares of Peace Link Services Limited. As at the Latest Practicable Date, Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.
- Mr. Cheng Kin Ming is the beneficial owner of 100% issued shares of Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% issued shares of Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% issued shares of Peace Link Services Limited. As at the Latest Practicable Date, Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.
- Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.
- Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 75,557,191 Shares held by Asia Pacific Resources Development Investment Limited and 3,144,049,545 Shares held by Peace Link Services Limited for the purpose of the SFO.
- 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.

7. The letter “L” denotes a long position in the shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

#### 4. 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:

<b>Name</b>	<b>Qualifications</b>
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Platinum Securities Company Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
AVISTA Valuation Advisory Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, 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 had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of the references to its name and/or its opinion or statements in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the matters disclosed below, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

- (i) termination of the Previous Subscription Agreement. Reference is made to the joint announcement (the “**Joint Announcement**”) jointly issued by CAM SPC and the Company dated 9 January 2019, the announcements of the Company in relation to the delay and further delays in despatch of circular dated 30 January 2019, 28 February 2019 and 29 March 2019 (the “**Delay in Despatch Announcements**”) together with the Joint Announcement, the “**Subscription Announcements**”) and the announcement of the Company dated 31 March 2019 (the “**Lapsing Announcement**”). On 14 December 2018, the Company entered into a subscription agreement with CAM SPC – CNNCIFMC HK Industry Fund SP (the “**Previous Subscriber**”) and Jiangsu Shunfeng Photovoltaic Technology Company Limited (the “**Guarantor**”) in relation to the subscription of shares of the Company (the “**Shares**”) and subsequently entered into a supplemental subscription agreement on 8 January 2019 (collectively referred to as the “**Agreements**”). Pursuant to the Agreements, the Company has agreed to allot and issue to the Previous Subscriber and the Previous Subscriber has agreed to subscribe for 7,591,153,464 Shares (the “**Subscription Shares**”) at a subscription price of HK\$0.214 per Share (the “**Subscription**”). As stated in the Joint Announcement, under Rule 26.1 and Rule 13 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at completion of the Subscription (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares), the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company and all the Convertible Bonds (as defined in the Joint Announcement) not already owned or agreed to be acquired by the Previous Subscriber and parties acting in concert with it, unless a whitewash waiver is granted by the Executive and the approval by 75% of the independent Shareholders is obtained in accordance with the Takeovers Code. In the event that any of the Conditions stated in Agreements shall not have been fulfilled (or waived, if applicable) prior to 31 March 2019 (or such later date which may be agreed by the parties to the Previous Subscription Agreement), the Previous Subscription Agreement shall cease to be of any effect. Please refer to the Subscription Announcements for details.

On 31 March 2019, the Company announced that as there remained conditions that were not fulfilled or waived, and the Company had not received the Previous Subscriber’s decision to extend the long stop date, the Previous Subscription Agreement had ceased to be of any effect as of 31 March 2019 and the Subscription will not proceed. As a result, the Company will not receive any proceeds pursuant to the Previous Subscription Agreement;

- (ii) certain expired or expiring loans and other financial indebtedness:
- (a) the borrowings from Sino Alliance Capital Ltd. (“**Sino Alliance**”) and China Minsheng Banking Corporation Ltd. Hong Kong Branch (“**CMBC-HK**”) have a corresponding outstanding principal balance of HK\$2,500 million (equivalent to RMB2,191 million) and HK\$980 million (equivalent to RMB858.7 million) (collectively the “**Outstanding Loans from Sino Alliance and CMBC-HK**”) as at 31 December 2018, which have been matured in December 2018. The maturity date of the loan from CMBC-HK of HK\$980 million has been extended to August 2019. In addition, a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance in March 2019 has been entered into, pursuant to which, the due dates of the first repayment of HK\$600 million (equivalent to RMB526 million) and the second repayment of HK\$700 million (equivalent to RMB614 million) have been extended to 31 March 2019 and 30 June 2019 respectively, while the remaining HK\$1,200 million (equivalent to RMB1,051 million) has been extended to 30 June 2019 or the completion date of the Disposal, whichever is earlier;
  - (b) out of the other short-term bank and other borrowings (excluding the Outstanding Loans from Sino Alliance and CMBC-HK) with a carrying amount of RMB3,007 million as at 31 December 2018, RMB611 million has matured on the Latest Practicable Date and has been successfully renewed for a period of not less than 12 months;
  - (c) certain banks have a right to demand for immediate payment in respect of the Group’s bank borrowings that had breached certain financial covenants, which amounted to a total of RMB1,092 million as at 31 December 2018; and
  - (d) On 16 June 2014, the Company issued the Fourth CB at par to independent third parties with aggregate principal amount of HK\$2,137 million (equivalent to RMB1,696 million as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26) with maturity date on 15 June 2019, being the fifth anniversary of the date of issue of the Fourth CB. As at 31 December 2018, the aggregate principal amount of the outstanding Fourth CB amounted to HK\$869 million (equivalent to RMB689 million as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26).

For further details with respect to the alternative refinancing and/or extension of due dates of the relevant debts of the Group, please refer to Appendix I – Financial Information of the Group of this circular.

## 6. LITIGATION

As at the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the principal guarantee dated 31 July 2018 entered into between Changzhou City Wujin Advanced Technology Financing and Guarantee Company Limited\* (常州市武進高新技術融資擔保有限公司) (the “**Changzhou Wujin**”) (as guarantor) and Changzhou Shunfeng Photovoltaic Materials Co., Ltd.\* (常州順風光電材料有限公司) (“**Shunfeng Materials**”) (a wholly-owned subsidiary of the Company) in respect of the loan agreement dated 20 June 2018 entered into between Changzhou City Wujin District Hezheng Rural Microfinance Company Limited\* (常州市武進區和正農村小額貸款股份有限公司) (the “**Lender**”) (as lender) and Shunfeng Materials (as borrower) in relation to a 3-month loan facility in the principal amount of up to RMB30,000,000 (the “**Shunfeng Materials Principal Guarantee Contract**”) (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (ii) the principal guarantee contract dated 31 July 2018 entered into between Changzhou Wujin and the Target Company in respect of the loan agreement dated 20 June 2018 entered into between the Lender (as lender) and the Target Company (as borrower) in relation to a 3-month loan facility in the principal amount of up to RMB20,000,000 (the “**Jiangsu Shunfeng Principal Guarantee Contract**”) (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (iii) the principal guarantee dated 31 July 2018 entered into between Changzhou Wujin and Shunfeng Photovoltaic Investment (China) Co., Ltd.\* (順風光電投資(中國)有限公司) (a wholly-owned subsidiary of the Company) (“**Shunfeng Investment**”) in respect of the loan agreement dated 20 June 2018 entered into between the Lender (as lender) and Shunfeng Investment (as borrower) in relation to a 3-month loan facility in the principal amount of up to RMB30,000,000 (the “**Shunfeng Investment Principal Guarantee Contract**”) (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (iv) the counter-guarantee dated 31 July 2018 entered into between the Company and Changzhou Wujin in respect of the Shunfeng Materials Principal Guarantee Contract (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (v) the counter-guarantee dated 31 July 2018 entered into between the Company and Changzhou Wujin in respect of the Jiangsu Shunfeng Principal Guarantee Contract (please refer to the announcement of the Company dated 31 July 2018 for further details);

- (vi) the counter-guarantee dated 31 July 2018 entered into between the Company and Changzhou Wujin in respect of the Shunfeng Investment Principal Guarantee Contract (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (vii) the share pledge agreement dated 31 July 2018 entered into between the Target Company and Changzhou Wujin pursuant to which the Target Company agreed to pledge in favour of Changzhou Wujin 76,500,000 shares in Jiangsu Shunfeng New Energy Technology Co., Ltd.\* (江蘇順風新能源科技有限公司) (an indirect subsidiary of the Company) (“**Shunfeng New Energy**”) (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (viii) the share pledge agreement dated 31 July 2018 entered into between the Target Company and Changzhou Wujin pursuant to which the Target Company agreed to pledge in favour of Changzhou Wujin 51,000,000 shares in Shunfeng New Energy (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (ix) the share pledge agreement dated 31 July 2018 entered into between the Target Company and Changzhou Wujin pursuant to which the Target Company agreed to pledge in favour of Changzhou Wujin 76,500,000 shares in Shunfeng New Energy (please refer to the announcement of the Company dated 31 July 2018 for further details);
- (x) the counter-guarantee and pledge contract dated 10 September 2018 entered into between the Target Company and Jiangsu Wujin in respect of counter-guarantee provided in favour of Jiangsu Wujin (please refer to the announcement of the Company dated 10 September 2018 for further details);
- (xi) the Previous Subscription Agreement dated 14 December 2018 entered into among the Company, the Previous Subscriber (as subscriber) and the Target Company (as guarantor) in relation to the Previous Subscription which lapsed on 31 March 2019 (please refer to the announcement of the Company dated 31 March 2019 for further details);
- (xii) the Sale and Purchase Agreement; and
- (xiii) the amendment agreement dated 24 March 2019 entered into between the Purchaser and the Vendor in respect of the amendments to the Sale and Purchase Agreements.

## 8. MISCELLANEOUS

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

**9. 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 (other than Saturday, Sunday and public holidays) at the principal place of business of the Company in Hong Kong at Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the memorandum of association of the Company;
- (ii) the material contracts set out in the section headed “Material Contracts” in this appendix;
- (iii) the Sale and Purchase Agreement;
- (iv) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (vi) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (vii) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018;
- (viii) the report on the review of unaudited financial information of the Disposal Group, the text of which is set out in Appendix II to this circular;
- (ix) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (x) the valuation report of the Target Interest, the text of which is set out in Appendix V to this circular;
- (xi) a copy of this circular; and
- (xii) the written letters of consent referred to in the section headed “Experts’ Qualifications and Consents” in this appendix.



**10. GENERAL**

- (i) The company secretary of the Company is Mr. Lu Bin. Mr. Lu is an executive director of the Company and the authorised representative of the Company under the Listing Rules and the Companies Ordinance. Mr. Lu is a chartered accountant of New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
  
- (ii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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## NOTICE OF EGM

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順風國際清潔能源有限公司  
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 01165)

### NOTICE OF EGM

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “EGM”) of Shunfeng International Clean Energy Limited (the “**Company**”) will be held at Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 28 August 2019 at 11 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution. Unless otherwise defined, capitalised terms defined in the circular dated 30 June 2019 shall have the same meanings when used in this notice.

#### ORDINARY RESOLUTION

1. “**THAT**

- (a) the Sale and Purchase Agreement and the transactions contemplated thereunder be and hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised on behalf of the Company to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute direction may consider necessary, appropriate or desirable to implement or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 30 June 2019

*Notes:*

- 1. Any Shareholder 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 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.

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## NOTICE OF EGM

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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. The register of members of the Company will be closed from Friday, 23 August 2019 to Wednesday, 28 August 2019, both days inclusive, during which period no transfer of shares in the Company will be effected. 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 Thursday, 22 August 2019.
4. Delivery of the form of proxy will not preclude a Shareholder 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.
6. The resolution at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

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