THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult 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.

SFCE

順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EGM

Capitalised 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 8 to 56 of this circular. A notice convening the EGM to be held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Thursday, 2 July 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 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.

15 June 2020

CONTENTS

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

"2018 Disposal"	the previous very substantial disposal of the Company in relation to a sale and purchase agreement dated 10 December 2018, as disclosed in the Company's announcement dated 25 March 2019
"2019 Disposal"	the previous very substantial disposal of the Company in relation to 11 sale and purchase agreements dated 15 November 2019, as disclosed in the Company's announcement dated 26 November 2019
"2019 Disposal Purchaser"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2019 Disposal" in this circular
"2019 Sale and Purchase Agreements"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2019 Disposal" in this circular
"2019 Subject Company"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2019 Disposal" in this circular
"Akesu Datang"	Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Akesu Datang SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng, Shanghai Shunneng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Akesu Datang
"Asia Pacific Resources"	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 British Virgin Islands with limited liability
"Board"	the board of Directors
"Business Enterprise Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of consideration" in this circular
"Changzhou Payables"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Consideration and payment" in this circular
"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 relevant Sale and Purchase Agreement(s), including the completion of the transfer registration in respect of the relevant equity interests of the Target Companies in the name of the Purchaser in accordance with the terms and conditions of the relevant Sale and Purchase Agreement(s)
"Conditions"	the conditions specified under the relevant Sale and Purchase Agreement as set out in the section headed "Sale and Purchase Agreements — Conditions" in this circular
"Consideration"	the consideration payable in cash by the Purchaser to the relevant Vendor(s) for the Disposal(s) under the terms of the relevant Sale and Purchase Agreement as set out in the section headed "Sale and Purchase Agreements — Consideration and payment" in this circular
"Deloitte"	Deloitte Touche Tohmatsu, the reporting accountant of the Company
"Directors"	the directors of the Company
"Disposal(s)"	the disposal(s) of the Target Companies by the Vendor(s) to the Purchaser pursuant to the Sale and Purchase Agreement(s)
"Disposals Announcements"	the announcements of the Company dated 18 March 2020, 8 May 2020 and 5 June 2020, in relation to, among other things, the Disposals
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the transactions contemplated thereunder
"Equity Interest"	the equity interest in a company, together with all the rights, benefits and interests enjoyed as a shareholder of such company corresponding to such equity interest under PRC laws, including but not limited to the rights to benefit from the profits made by such company, to make major decisions of such company and to appoint management personnel in such company
"Group"	the Company and its subsidiaries
"Hejing Yixin"	Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

"Hejing Yixin SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng, Shanghai Shunneng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Hejing Yixin
"Heshuo Hengxin"	Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Heshuo Hengxin SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng, Shanghai Shunneng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Heshuo Hengxin
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a person who is not a connected person under Chapter 14A of the Listing Rules
"Jiangxi Shunfeng"	Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	11 June 2020, 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, an indirect non-wholly owned subsidiary of the Company
"LED Business"	the manufacturing business of LED, an energy efficient lighting device, which is operated via Lattice Power
"Listing Rules"	the Rules Governing the Listing of Securities on Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Cheng"	Mr. Cheng Kin Ming, a substantial shareholder (as defined under the Listing Rules) of the Company
"MW"	megawatt, which equals 1,000,000 watts

"Peace Link"	Peace Link Services Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and beneficially owned by Mr. Cheng
"percentage ratio"	has the meaning ascribed to it under the Listing Rules
"Post 2019 Disposal Remaining Group"	the Company and its subsidiaries after Completion assuming that the 2019 Disposal has been completed in full
"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 Power Generation Business"	the operations of solar power plants in the PRC by the Group or the Post 2019 Disposal Remaining Group (as the case may be)
"Previously Proposed Subscription"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals" in this circular
"Profit Forecast"	has the meaning ascribed to it in the section headed "Valuation" in this circular
"Purchaser"	Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司), a company incorporated under the laws of the PRC
"Reference Date"	30 September 2019
"Relevant Payables"	the relevant amount payable by the relevant Target Companies to the relevant Vendor(s) as at the Reference Date as set out in the section headed "Sale and Purchase Agreements — Repayment of Relevant Payables" in this circular
"Remaining Business"	the business of the Post 2019 Disposal Remaining Group immediately after the Disposals, which comprises the PRC Power Generation Business and the LED Business
"Remaining Group"	the Company and its subsidiaries after Completion, which include the 2019 Subject Companies the transfer of which has not been completed as at 31 December 2019 pursuant to the 2019 Disposal
"Remedial Steps"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Consideration and payment" in this circular

"Renewable Energy Development Fund"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — Delay in receiving tariff subsidy and receivables from State Grid" in this circular
"Renewable Energy Law"	the Renewable Energy Law of the PRC (中華人民共和國可再生能源法) (promulgated on 28 February 2005 and implemented on 1 January 2006), which outlines a regulatory framework to promote the development and utilisation of renewable energy and eventually achieve sustainable development in the PRC
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreements"	collectively, the Akesu Datang SPA, the Yuepuhu Gaoke SPA, the Heshuo Hengxin SPA, the Tulufan Lianxing SPA, the Wensu Riyuehui SPA and the Hejing Yixin SPA
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Shunneng"	Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shijiazhuang Yakai"	Shijiazhuang Yakai New Energy Development Ltd.* (石家莊亞凱新能源開發有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Holdings"	Shunfeng Photovoltaic Holdings Limited* (順風光電控股有限公司), a direct wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Investments"	Shunfeng Photovoltaic Investments (China) Company Limited* (順風光電投資(中國)有限公司), 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 in December 2016
"Sino Alliance Facility"	the HK$2,500 million facility provided by Sino Alliance to the Group pursuant to a loan agreement in December 2016
"State Grid"	State Grid Corporation of China

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	the target companies whose equity interests are to be transferred pursuant to the Sale and Purchase Agreements, being Akesu Datang, Yuepuhu Gaoke, Heshuo Hengxin, Tulufan Lianxing, Wensu Riyuehui and Hejing Yixin
"Target Equity Interests"	the equity interests in the Target Companies as set out in the section headed "Sale and Purchase Agreements — Summary of Sale and Purchase Agreements" in this circular
"Third CB"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2018 Disposal" in this circular
"Transitional Period"	from the Reference Date up to and including the date of Completion
"Transitional Period Audit"	the audit on the Target Companies to be carried out by the Purchaser for the Transitional Period within 15 business days after Completion
"Tulufan Lianxing"	Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Tulufan Lianxing SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng, Shanghai Shunneng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Tulufan Lianxing
"Valuation"	has the meaning ascribed to it in the section headed "Valuation" in this circular
"Valuation Report"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of consideration" in this circular
"Valuer"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendors"	the vendors of the equity interests under the Sale and Purchase Agreements, namely Jiangxi Shunfeng and Shanghai Shunneng (as the case may be)
"Wensu Riyuehui"	Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

"Wensu Riyuehui SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng, Shanghai Shunneng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Wensu Riyuehui
"Yuepuhu Gaoke"	Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Yuepuhu Gaoke SPA"	the sale and purchase agreement dated 16 March 2020 entered into between Jiangxi Shunfeng and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Yuepuhu Gaoke
"Zhejiang Chint Electrics"	Zhejiang Chint Electrics Co., Ltd.* (浙江正泰電器股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601877) and the holding company of the Purchaser
"%"	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 RMB0.9162. 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*

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

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

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

Principal place of business in Hong Kong:
Portion C, 30/F
Bank of China Tower
1 Garden Road
Central, Hong Kong

15 June 2020

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

Reference is made to the Disposals Announcements, in which it was announced that on 16 March 2020, the Vendor(s) (namely, Jiangxi Shunfeng and Shanghai Shunneng, as the case may be, each an indirect wholly-owned subsidiary of the Company) entered into six Sale and Purchase Agreements with the Purchaser, pursuant to which the Vendor(s) conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Target Equity Interests respectively held by the Vendor(s), representing 100% of the Equity Interest in all of the Target Companies, at an aggregate Consideration of RMB181,139,954.86.

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

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

(ii) the financial and other information on the Group and the Target Companies;

(iii) the pro forma financial information of the Remaining Group upon completion of the Disposals; and

(iv) the notice of the EGM.

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

SALE AND PURCHASE AGREEMENTS

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

Date : 16 March 2020

Parties :

(i) Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司) (an indirect wholly-owned subsidiary of the Group)

(ii) Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司) (an indirect wholly-owned subsidiary of the Company)

(as the Vendor(s), individually or jointly, as the case maybe)

(iii) Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司)

(as the Purchaser)

Assets to be disposed of : The Target Equity Interests, representing 100% of the Equity Interest in each of the Target Companies.

No.	Sale and Purchase Agreement	Parties	Target Equity Interest
1.	Akesu Datang SPA	1. Jiangxi Shunfeng (as vendor) 2. Shanghai Shunneng (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Akesu Datang (95% by Jiangxi Shunfeng and 5% by Shanghai Shunneng)
2.	Yuepuhu Gaoke SPA	1. Jiangxi Shunfeng (as vendor) 2. Purchaser (as purchaser)	100% equity interest of Yuepuhu Gaoke (100% by Jiangxi Shunfeng)
3.	Heshuo Hengxin SPA	1. Jiangxi Shunfeng (as vendor) 2. Shanghai Shunneng (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Heshuo Hengxin (90% by Jiangxi Shunfeng and 10% by Shanghai Shunneng)
4.	Tulufan Lianxing SPA	1. Jiangxi Shunfeng (as vendor) 2. Shanghai Shunneng (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Tulufan Lianxing (95% by Jiangxi Shunfeng and 5% by Shanghai Shunneng)
5.	Wensu Riyuehui SPA	1. Jiangxi Shunfeng (as vendor) 2. Shanghai Shunneng (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Wensu Riyuehui (95% by Jiangxi Shunfeng and 5% by Shanghai Shunneng)
6.	Hejing Yixin SPA	1. Jiangxi Shunfeng (as vendor) 2. Shanghai Shunneng (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Hejing Yixin (90% by Jiangxi Shunfeng and 10% by Shanghai Shunneng)

Consideration and payment : The table below sets out the breakdown of the aggregate Consideration payable by the Purchaser (i.e. RMB181,139,954.86) pursuant to each Sale and Purchase Agreement:

		Consideration (in RMB)
1.	Akesu Datang SPA	28,508,322.01
2.	Yuepuhu Gaoke SPA	8,193,631.70
3.	Heshuo Hengxin SPA*	67,688,689.57
4.	Tulufan Lianxing SPA	14,939,871.91
5.	Wensu Riyuehui SPA	19,730,340.75
6.	Hejing Yixin SPA*	42,079,098.92
Total		**181,139,954.86**

* *In relation to the Consideration for the Heshuo Hengxin SPA and the Hejing Yixin SPA, an amount of RMB6,253,333.33 (the "**Changzhou Payables**"), representing the amount of outstanding consultation fees payable by each of Heshuo Hengxin and Hejing Yixin to Changzhou Yixin New Energy Technology Co., Ltd.* (常州益鑫新能源科技股份有限公司) pursuant to the services agreements entered into between these parties respectively, was confirmed only on the Reference Date but not settled as at the date of the Sale and Purchase Agreements nor the Latest Practicable Date. As such consultation fees were incurred by the Vendors, the parties agreed that the Changzhou Payables shall be borne by the Vendors but settled by the Purchaser after Completion. As a result, the Changzhou Payables shall be deducted from the Consideration and shall not be included in the amounts payable by the Purchaser to the respective Vendor(s) in the three-tranche payments described below. The Group previously purchased the equity interests in Heshuo Hengxin and Hejing Yixin from Changzhou Yixin New Energy Technology Co., Ltd. To the best knowledge, information and belief, having made all reasonable enquiries, Changzhou Yixin New Energy Technology Co., Ltd. is an Independent Third Party.*

Under each Sale and Purchase Agreement, the Consideration (and in respect of each of the Heshuo Hengxin SPA and the Hejing Yixin SPA, after deduction of the Changzhou Payables) will be settled in three tranches by cash, details of which are set out as follows:

(i) First tranche:

The first tranche (50%) of the Consideration shall be payable by the Purchaser into a bank account designated by the Vendor(s) within 10 business days after (a) the satisfaction of all Conditions, (b) completion of business registration on the change of title of the relevant equity interest to the Purchaser and (c) the Vendor(s) have provided the Purchaser with the business licence and the various official chops of the relevant Target Company as specified in the relevant Sale and Purchase Agreement and have verified and completed the transfer procedures for the bank account of the relevant Target Company (whichever is later).

(ii) Second tranche:

The second tranche (40%) of the Consideration shall be payable by the Purchaser into a bank account designated by the relevant Vendor(s) within 10 business days after (a) the relevant Vendor(s) have obtained all the relevant government approvals specified under each Sale and Purchase Agreement, (b) the Vendor(s) and the Target Company have delivered the information, files, financial statements, contracts and project documents listed in the relevant Sale and Purchase Agreement to the Purchaser and have verified the list of assets transferred to the Purchaser and (c) completion of the Transitional Period Audit of the relevant Target Company (whichever is later).

(iii) Third tranche:

The third tranche (10%) of the Consideration shall be payable by the Purchaser to the relevant Vendor(s) within 10 business days upon confirmation by the Purchaser of the completion of the remedial steps (the "**Remedial Steps**") relating to provision of certain land use and property ownership certificates of the relevant Target Company as set out in the relevant Sale and Purchase Agreement. If there are (i) any liabilities incurred that shall be borne by the Vendor(s) pursuant to the terms and conditions of the relevant Sale and Purchase Agreement or (ii) any losses incurred by the relevant Target Company as a result of non-disclosure on the part of the Vendor(s), the Purchaser shall be entitled to deduct such amounts from this tranche of the Consideration payable to the Vendor(s). If such liabilities or losses are material, the Purchaser shall be entitled to delay payment of this tranche of the Consideration.

Pursuant to the Sale and Purchase Agreements, in the event that the Purchaser fails to pay any part of the Consideration after such payment becomes due, the Purchaser shall:

(i) in respect of each day of such delay, pay the relevant Vendor(s) liquidated damages amounting to 0.05% of the outstanding amount; and

(ii) in case of a delay of over 60 days, pay the relevant Vendor(s) liquidated damages amounting to 5% of the Consideration and the Relevant Payables, in which case the Vendor(s) is also entitled to repudiate the relevant Sale and Purchase Agreement.

The payment terms of the Consideration were determined:

(i) with reference to recent market transactions of certain companies listed on the Stock Exchange and the Shanghai Stock Exchange that substantial consideration payments are commonly collected after completion in respect of acquisitions of solar power plants in the PRC over the past two years;

(ii) with a view to maximising the benefits to the Company by reducing the proportion of the Consideration dependent on the completion of the Remedial Steps to 10%; and

(iii) after arms' length negotiations with the Purchaser.

The Purchaser is a wholly-owned subsidiary of Zhejiang Chint Electrics. Based on its 2019 annual report, as at 31 December 2019, Zhejiang Chint Electrics recorded total assets of approximately RMB55.3 billion, total liabilities of approximately RMB30.3 billion and equity attributable to owners of the company of approximately RMB24.2 billion. As at the Latest Practicable Date, the market capitalisation of Zhejiang Chint Electrics was approximately RMB54.1 billion.

The Board, having considered that the Purchaser is a subsidiary of Zhejiang Chint Electrics which has a robust financial position and that the compensation mechanism described above would provide sufficient safeguards to the Vendors' interests in the Disposals, is satisfied that the payment terms set out above are fair, reasonable and are in the interest of the Company and the Shareholders as a whole, and that the Purchaser will be able to settle the repayment of the Consideration.

Basis of Consideration : The aggregate Consideration was determined after arm's length negotiations between the Purchaser and the relevant Vendors, which is calculated according to the following formula:

Consideration = (1) + (2) – (3) + (4), where:

(1) the business enterprise value of the Target Companies as at 30 September 2019 of approximately RMB1,091 million (the "**Business Enterprise Value**") as stated in the valuation report (the "**Valuation Report**") of the business enterprise of the Target Companies as at 30 September 2019 conducted by an independent valuer appointed by the Company, AVISTA Valuation Advisory Limited (the "**Valuer**"), adopting the income approach,

(for the purpose of the Valuation Report, the Business Enterprise Value is equivalent to the value of all operating assets, including long-term assets (e.g. solar power plants, machinery and equipment) and net operating working capital);

(2) the total non-operating assets of the Target Companies of approximately RMB26 million according to the unaudited financial statements as at 30 September 2019, including but not limited to the value-added tax recoverable and other non-current assets;

(3) the total non-operating liabilities of the Target Companies of approximately RMB955 million according to the unaudited financial statements as at 30 September 2019, including but not limited to bank and other borrowings and other payables of the Target Companies as at 30 September 2019,

(having considered the Business Enterprise Value in the Valuation Report (being item (1)) as one of the referencing factors for the determination of the Consideration, and further considered the factors in items (2) to (3), the Board estimated the preliminary consideration for the transfer of the Target Equity Interests as approximately RMB162 million (the "**Estimated Value**")); and

(4) having considered the Estimated Value as the initial referencing basis of the Consideration for negotiations with the Purchaser and upon rounds of arms' length commercial negotiations between the Vendors and the Purchaser taking into account, among other things, the bulk purchase of the Target Companies, an additional amount of approximately RMB19 million over the Estimated Value as agreed between the parties.

As it was agreed in the Sale and Purchase Agreements that any profit or loss of the Target Companies after the Reference Date shall be enjoyed or borne by the Purchaser, the Board considers that it is fair and reasonable to determine the Consideration with reference to the Valuation Report with a valuation date of 30 September 2019, and the Valuation Report remains relevant and valid for the Shareholders to assess the Disposals.

Repayment of Relevant Payables : The Relevant Payables owed by the Target Companies to the Vendors shall be settled in the amounts and manner as set out below:

		First tranche*	Second tranche	Third tranche (only for Akesu Datang SPA) (RMB)	Fourth tranche	Repayment of Relevant Payables to the respective Vendor(s) (RMB)
1.	Akesu Datang SPA	50%*	40%*	10,000,000.00	10%*	53,218,573.31
		* *In respect of the Akesu Datang SPA, these percentages shall be applied to the amount after the third tranche payment of RMB10,000,000.00 has been deducted from the Consideration.*				
2.	Yuepuhu Gaoke SPA	50%	40%	N/A	10%	52,787,619.84
3.	Heshuo Hengxin SPA	50%	40%	N/A	10%	34,630,375.72
4.	Tulufan Lianxing SPA	50%	40%	N/A	10%	31,902,776.15
5.	Wensu Riyuehui SPA	50%	40%	N/A	10%	54,190,703.70
6.	Hejing Yixin SPA	50%	40%	N/A	10%	61,043,215.27
Total						**287,773,263.99**

(i) First tranche:

The first tranche (50%) of the Relevant Payables (in respect of the Akesu Datang SPA, after deduction of RMB10,000,000, representing a security deposit for the obtaining of the immoveable property certificate in respect of the project property used by Akesu Datang and being the third tranche payment as disclosed below) shall be payable by the relevant Target Company to the relevant Vendor(s) within 10 business days upon (a) the satisfaction of all Conditions (unless partially or wholly waived by the Purchaser specifically), (b) the Vendor(s) having delivered all the financial information in respect of the relevant Target Company as specified in the relevant Sale and Purchase Agreement to the Purchaser and (c) the Vendor(s) having completed all the handover matters which include the handing over of contractual, constitutional and financial documents of the relevant Target Company as specified in the relevant Sale and Purchase Agreement.

As all the Target Companies, apart from Akesu Datang, have obtained the relevant immoveable property certificate in respect of the relevant project, the amount of RMB10,000,000 represents a security payment deducted from the first tranche of the Relevant Payables for Akesu Datang which is only payable by the Target Company upon the Vendors having obtained the immoveable property certificate in respect of the project property used by Akesu Datang.

(ii) **Second tranche:**

The second tranche (40%) of the Relevant Payables shall be payable by the relevant Target Company to the relevant Vendor(s) within 10 business days after (a) the relevant Vendor(s) have obtained all the relevant government approvals specified under the relevant Sale and Purchase Agreement, (b) the Vendor(s) and the relevant Target Company have delivered the information, files, financial statements, contracts and project documents listed in the relevant Sale and Purchase Agreement to the Purchaser and have verified the list of assets transferred to the Purchaser and (c) the completion of the Transitional Period Audit of the relevant Target Company.

(iii) **Third tranche (in respect of Akesu Datang SPA):**

The Purchaser shall procure Akesu Datang to transfer an amount of RMB10,000,000, a security deposit for the obtaining of the immoveable property certificate in respect of the project property used by Akesu Datang, to a bank account designated by the Vendors within 10 business days after the Vendors have obtained the immoveable property certificate in respect of the project property used by Akesu Datang.

(iv) **Fourth tranche:**

The fourth tranche (10%) of the Relevant Payables shall be payable by the relevant Target Company to the relevant Vendor(s) within 10 business days upon completion of certain Remedial Steps as set out in the relevant Sale and Purchase Agreement. If there are (i) any liabilities incurred that shall be borne by the Vendor(s) pursuant to the terms and conditions of the relevant Sale and Purchase Agreement or (ii) any losses incurred by the relevant Target Company as a result of non-disclosure on the part of the Vendor(s), the Purchaser shall be entitled to deduct such amounts from this tranche of the Consideration payable to the Vendor(s). If such liabilities or losses are material, the Purchaser shall be entitled to delay the payment of this tranche of the Consideration.

The Transitional Period Audit shall be completed by the Purchaser within 15 business days after (i) the relevant Target Equity Interests have been transferred under the name of the Purchaser and (ii) the Vendor(s) have completed all the handover matters, which include the handing over of contractual, constitutional and financial documents of the relevant Target Company, as specified in the relevant Sale and Purchase Agreement (whichever is later). The results of the Transitional Period Audit shall be confirmed by the Purchaser and the Vendor(s) in writing.

If the results of the Transitional Period Audit reveal that the amount of Relevant Payables is inconsistent with the amounts confirmed in the relevant Sale and Purchase Agreement, the amounts of the Relevant Payables shall be adjusted accordingly. If, when the four tranches of the Relevant Payables fall due, the Target Companies do not have sufficient cash for settling the four tranches of the Relevant Payables, the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment of the Relevant Payables to the Vendor(s).

In addition, pursuant to the Sale and Purchase Agreements, in the event that any Target Company fails to pay any part of the Relevant Payable after such payment become due, such Target Company shall, in respect of each day of such delay, pay the Vendor(s) liquidated damages amounting to 0.05% of the outstanding amounts.

Taking into account that:

(i) liquidated damages will be charged in respect of delay of payment of the Relevant Payables;

(ii) the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment of the Relevant Payables to the Vendor(s) under the Sale and Purchase Agreements; and

(iii) the potential loss incurred by the Company arising from the non-payment of the Relevant Payables will be limited to the Relevant Payables, the same amount of which remains owed by the Target Companies to the Vendors regardless of whether any of the Sale and Purchase Agreements is repudiated as the Relevant Payables carry no interest unlike the potential loss arising from the non-payment of the Consideration which comprises the amount of the Consideration and the potential earnings derived from the Target Equity Interests which may still be obtained by the Group by repudiating the Sale and Purchase Agreements in the case of non-payment of the Consideration,

it was agreed, upon careful consideration and rounds of negotiations with the Purchaser, that the Vendor(s) would not be given an express right to repudiate the relevant Sale and Purchase Agreement under the relevant Sale and Purchase Agreement where any Target Company and/or the Purchaser fail to repay the Relevant Payables (as opposed to failure to pay the Consideration). Based on rounds of negotiations with the Purchaser and in light of the facts that (i) the Group is in need for immediate cash flow to settle short-term debts, (ii) disposals of solar power plants are currently the only source of immediate cash flow and (iii) the Purchaser was the only potential purchaser for all six Target Companies and the foregoing reasons, the Vendors have not insisted on a right to repudiate the Sale and Purchase Agreements where the Relevant Payables are not repaid, and considered that such is in the best interest of the Group and the Shareholders as a whole.

The Board, having considered that the Purchaser is a subsidiary of Zhejiang Chint Electrics which has a robust financial position as disclosed in the section headed "Sale and Purchase Agreements — Consideration and payment" above, and that the compensation mechanism described above would provide sufficient safeguards to the Vendors' interests in the Disposals, the Board is satisfied that the payment terms set out above are fair, reasonable and are in the interest of the Company and the Shareholders as a whole, and that the Purchaser will be able to settle the repayment of the Relevant Payables.

Conditions	:	Under each of the Sale and Purchase Agreements, the relevant Sale and Purchase Agreement shall only take effect upon the approvals from the relevant entities with such authority of approval from each party having been obtained (including the approvals by the Shareholders and the Stock Exchange). Completion is conditional upon satisfaction of all of the relevant Conditions as specified in each of the Sale and Purchase Agreements. The Vendor(s) shall procure the Conditions be satisfied within 60 days after the date on which the relevant Sale and Purchase Agreement was signed or became effective (whichever is later). Completion of the Sale and Purchase Agreements is not inter-conditional upon each other.

The Conditions in each Sale and Purchase Agreement and their respective status are set out in the table below.

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
1.	the transfer of the relevant Target Equity Interest by the Vendor(s) not having any actual or potential legal barriers, and the relevant Target Equity Interest, and the assets and relevant rights of the relevant Target Company not having any lien, pledge, guarantee, third-party pre-emption rights, options or any other encumbrance (in the case of any such encumbrances, the relevant encumbrances shall have been discharged and released in writing (the details of such written release/discharge shall have been approved by the Purchaser)), except for any financing guarantees including equity, assets and payable pledges (i) entered into for the purpose of facilitating the Target Company's project financing and (ii) approved by the Purchaser (the parties thereto shall separately enter into relevant agreements with the financing institution (being China Merchants Bank Co., Ltd. Shanghai Huamu branch) regarding the discharge and release of the aforementioned financing guarantees) *(Note 1)*;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
2.	all the documents and agreements relevant to the Disposal under the relevant Sale and Purchase Agreement having been duly entered into by the relevant parties, and the parties having obtained all necessary approvals, consents and authorisations for the entry and performance of such documents, in particular, entry of such documents not in violation of any laws and regulations binding on such relevant parties, articles of association, contracts and agreements entered into between the parties and any third parties or relevant government departments;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
3.	the target project of the relevant Target Company having fully grid-connected, and the Target Company: (a) having obtained all approvals required for the operation of the project; (b) having collected all required construction licences which shall remain legally compliant; (c) having completed the required applications for construction of the project property which shall remain legally compliant; (d) having obtained grid-connected tariff price approval of RMB1 per kWh for 20 years from the National Development and Reform Commission of the PRC and the conditions involved in the tariff approval having been satisfied; (e) having signed the electricity sale and purchase agreement(s) and grid connection adjustment agreement(s) with the relevant power company; (f) having passed the inspections by various government authorities and having obtained the qualification documents specified in the relevant Sale and Purchase Agreement (if the Purchaser considers that such qualification documents are unsatisfactory, the parties shall reach agreement in that regard, failing which the Purchaser is entitled to repudiate the relevant Sale and Purchase Agreement), and; (g) being able to collect the desulfurisation coal-fired electricity charges before the Completion date;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
4.	the Target Company remaining in normal operation; from the Reference Date up to the delivery date, the Vendor(s) shall procure that (a) there is no adverse change in the Target Company in the nature of abnormal production operation in terms of, including, business operations, financial positions, assets and business prospects; (b) there is no change in laws and regulations that has an adverse effect on the Disposal, the legality of the Disposal, or the circumstances where the Target Companies' business operates; and (c) there is no litigation, judicial, administrative or other legal dispute processes affecting the Disposal (in case of any material adverse change on matters relating to the electricity restriction or amount of electricity sold that take place during the Transitional Period but prior to Completion, the parties can re-evaluate the impact of such adverse change to the Disposal and negotiate. If the parties fail to reach a consensus in the case of such material adverse change, the Purchaser is entitled to be released from the relevant Sale and Purchase Agreement. If such material adverse change results from governmental policy changes, and if the Purchaser chooses to terminate the contract upon parties' failure to reach consensus, neither party shall be liable for any breach of the relevant Sale and Purchase Agreement);	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
5.	the Target Company's financial statements and liabilities, as of the Reference Date, being consistent with the annexures set out in the relevant Sale and Purchase Agreement. As at Completion, the Target Company's liabilities (including any potential liabilities) shall not exceed the total amounts agreed by the parties. Creditors of the Target Company shall have, in writing, (i) agreed that any outstanding amounts owed by the Target Company will be settled as set out in the relevant Sale and Purchase Agreement; and (ii) confirmed that they have waived their action(s) against the Target Company of any previous breaches (if any), or such liability arising from previous breaches shall be borne by the Vendor(s) (in which case the Purchaser or the Target Company shall be entitled to deduct an amount representing such liabilities from the amounts payable to the Vendor(s)). The Vendor(s) are deemed to have accepted such payment arrangements and a separate written confirmation in their capacity as creditor of the Target Company confirming the alternative payment arrangement is not required;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
6.	the Target Company having purchased insurance, with the Target Company named as beneficiary, which is similar to those purchased by other similar businesses in the industry and which shall cover all assets and properties of the Target Company (including all property insurance and public liability insurance), and the validity period of the purchased insurance covering at least two months after Completion where all insurance premiums shall have been paid;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
7.	the relevant Target Company having provided the Purchaser with a termination agreement entered into between the Target Company and Mintou Electrical Power Development Co., Ltd.* (旻投電力發展有限公司) for the operation, maintenance and technology services of the solar power plants that shall take effect upon signing *(Note 2)*;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
8.	the Vendor(s) having completed all dismissal and settlement concerning the relevant employees of the Company (if any), and all the relevant compensation costs having been fully paid with no outstanding dispute;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
9.	the Vendor(s) having obtained a letter of no-obstruction in respect of the real estate property certificate issued by the relevant government departments, where the Vendor(s) shall be responsible for the required funds for the certificate;	✓ completed	N/A	N/A	N/A	N/A	N/A

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
10.	as at the Completion date, the Vendor(s)' representations and warranties as specified in the relevant Sale and Purchase Agreement remaining true, accurate and complete;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
11.	the relevant Vendor(s) remaining the holder(s) of the entire equity interest in the relevant Target Company;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
12.	the Purchaser having obtained legally binding written document(s) from the third party creditor(s) of the Target Company other than the Vendor(s), confirming the amount of debts outstanding owed by the Target Company; or where the aforementioned documents are not obtained and upon the specific approval of the Purchaser, the Vendor(s) having issued a written undertaking agreeing to be responsible for all other costs and amounts other than any disclosed liabilities;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed
13.	the Target Company having obtained binding legal instruments and/or relevant legal documents confirming that the amount of debts, which the Target Company shall be finally responsible for in any outstanding legal disputes or arbitration cases in which the Target Company is involved, has been determined;	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed	✓ completed

		Akesu Datang SPA	Yuepuhu Gaoke SPA	Heshuo Hengxin SPA	Tulufan Lianxing SPA	Wensu Riyuehui SPA	Hejing Yixin SPA
14.	the Target Company's debt amounting to RMB20 million having been capitalised, where the Target Company's then shareholders shall be Zhongqing Energy (Beijing) Investment Co., Ltd.* (中清能(北京)投資有限公司) (holding 5%) and Jiangxi Shunfeng (holding 95%), and the Target Company having provided all the relevant shareholders' resolutions for the increase of share capital;	N/A	N/A	N/A	✓ completed	N/A	N/A
15.	the Target Company's shareholding being confirmed, apart from the Vendor(s), there being no other shareholders;	N/A	N/A	N/A	✓ completed	N/A	N/A
16.	the Purchaser having procured the Target Company to invite independent qualified inspector to perform inspection and testing on the foundations of the project power plants, the foundations having passed the relevant inspection and the testing, and such independent qualified inspector having issued format foundation testing report approved by the Purchaser; and	N/A	N/A	N/A	✓ completed	N/A	N/A
17.	the Target Company having provided the Purchaser with relevant agreements for the subsequent expenditure for the 110kV photovoltaic station hub in Bazhou and Jingxian, where the total contractual value shall be RMB4 million.	N/A	N/A	N/A	N/A	N/A	✓ completed

Note 1: Pursuant to the existing loan agreements entered into by Jiangxi Shunfeng with China Merchants Bank Co., Ltd. Shanghai Huamu branch, Jiangxi Shunfeng shall be liable for the repayment of the loans in respect of the Target Companies. China Merchants Bank Co., Ltd. Shanghai Huamu branch, the Purchaser, Jiangxi Shunfeng and each of the Target Companies will enter into agreements respectively pursuant to which (among other matters) each of the Target Companies shall assume and Jiangxi Shunfeng shall be discharged and released from the repayment obligations of such loans, and the Purchaser will guarantee the repayment of such loans.

Note 2: Since the Purchaser has its own service provider for the operation, maintenance and technology services of the solar power plants, the Purchaser does not intend to continue the engagement of Mintou Electrical Power Development Co., Ltd. (旻投電力發展有限公司) for such services after Completion, which has been engaged by the Vendor historically.

Remedial Steps : The details of the Remedial Steps as set out the relevant Sale and Purchase Agreements, and their latest status and expected completion date as at the Latest Practicable Date are set out as follows.

Sale and Purchase Agreement	**Remedial Steps**	**Expected Completion Date**
Akesu Datang SPA	To obtain land certificate	By 30 September 2020
	To obtain property ownership certificate	By 30 November 2020
	To obtain certificate of acceptance on lightning protection device	Completed
Yuepuhu Gaoke SPA	To provide lightning protection test report in 2019	Completed
	To obtain opinion of acceptance on fire control	By 31 August 2020
	To amend operating period on project operating licence to meet project operating period	By 30 June 2020
Heshuo Hengxin SPA	To obtain property ownership certificate	By 30 November 2020
	To obtain opinion of acceptance on fire control	By 30 June 2020
Tulufan Lianxing SPA	To obtain certificate of acceptance on lightning protection device	Completed
Wensu Riyuehui SPA	To obtain certificate of acceptance on lightning protection device	Completed
	To obtain property ownership certificate	By 30 November 2020

Hejing Yixin SPA	To obtain property ownership certificate	By 30 November 2020
	To obtain opinion of acceptance on fire control	Completed

Completion : Completion shall take place within 10 days after satisfaction of the Conditions, upon which business registrations and filings in respect of the transfer of the Target Equity Interests (including but not limited to passing the relevant resolutions, relevant registrations and filings, amendments to the articles of association, registration of the updated register of members and changes of directors and supervisors) shall be completed.

The Purchaser shall be entitled to waive any or all of the Conditions and request the Vendor(s) to proceed with such Completion steps.

Upon completing the abovementioned Completion steps, the Vendor(s) shall, upon request by the Purchaser, cooperate in handling any further registration and filing where necessary.

VALUATION OF TARGET COMPANIES

According to the Valuation Report, the fair value of the Business Enterprise Value of the Target Companies (the "**Valuation**") as at 30 September 2019, prepared on an income approach, amounts to RMB1,091 million. In this respect, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules (the "**Profit Forecast**") and, accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the Disposals.

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

1. there will be no major changes in the existing political, legal, fiscal and economic conditions in the regions that the Target Companies are operating;

2. there will be no major changes in the current taxation law in the countries that the Target Companies are operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

3. exchange rates and interest rates will not differ materially from those presently prevailing;

4. the Profit Forecast has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Profit Forecast) which have been arrived at after due and careful consideration by the Company's management;

5. the availability of finance will not be a constraint on the forecast growth of the Target Companies' operation in accordance with the Profit Forecast;

6. the Target Companies will retain and have competent management, key personnel and technical staff to support their ongoing operation; and

7. industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limited to market relative factors adopted in the discount rate.

For details about the Valuation, please refer to the Valuation Report in Appendix V to this circular.

As disclosed in the Disposals Announcements, the Board has reviewed the principal assumptions upon which the Profit Forecast was based and is of the view that the Profit Forecast was made after due care and enquiry. Deloitte, the reporting accountant of the Company, has also examined the calculations of the discounted cash flows on which the Valuation prepared by the Valuer is based, which do not involve the adoption of accounting policies in its preparation. A letter from the Board and a letter from Deloitte are included in the appendices to this circular for the purpose of Rules 14.62(2) and 14.62(3) of the Listing Rules.

REASONS FOR AND BENEFITS OF DISPOSALS

2018 Disposal, Previously Proposed Subscription and 2019 Disposal

The development of the business of the Group, in particular, the construction of the solar power plants in the PRC, is extremely capital intensive. Whilst the Group operates a substantial level of clean energy businesses, one important factor that has hindered the Group's financial performance has been the high level of finance costs (i.e. interest expenses) associated with its high debt level. With reference to the published reports of the Company, the Group recorded finance costs amounting to RMB1,286 million in its 2018 annual report and RMB1,163 million in its 2019 annual report, respectively. As disclosed in the Company's 2018 annual report and 2019 annual report, the Group was in a negative net cash position of RMB12,889.3 million and RMB8,563.7 million as at 31 December 2018 and 31 December 2019 respectively.

In light of the recurring financing needs of the Company (including the need to settle financial expenses), back in September 2018, the Company began to seek additional capital and contemplate possible disposals in its continued efforts to reduce the overall debt-to-equity level, including (i) the 2018 Disposal and (ii) the proposed subscription of subscription shares (the "**Previously Proposed Subscription**") as disclosed in the announcements of the Company dated 30 January 2019, 28 February 2019, 29 March 2019 and 31 March 2019 and (iii) the 2019 Disposal.

2018 Disposal

In respect of the 2018 Disposal, on 10 December 2018, Shunfeng Photovoltaic Holdings and Asia Pacific Resources entered into a sale and purchase agreement, pursuant to which Shunfeng Photovoltaic Holdings sold, and Asia Pacific Resources purchased, 100% of the equity interest in Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司). Although all proceeds from the 2018 Disposal, upon completion, were used for reducing the Group's debt, it was insufficient to meet the financial need of the Company.

As disclosed in the circular of the Company dated 30 June 2019 in relation to the 2018 Disposal, the Company intended to use the net proceeds from the 2018 Disposal (after deducting relevant costs and expenses) as follows:

(a) RMB200 million of the consideration would be used as working capital of the Group (which would not be used to repay the outstanding amount of 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**"));

(b) RMB1,745 million of the consideration would be used to repay the relevant payables owed by Shunfeng Photovoltaic Investments to the disposal group, which were debts borrowed by the operations of solar power plants in the PRC by the then Group 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 would be satisfied through Asia Pacific Resources taking assignment of a loan in the same amount lent to the Company by Sino Alliance to Asia Pacific Resources.

In relation to (a), the Company has received the consideration of RMB200 million from Asia Pacific Resources, which has been applied to repay debts of approximately RMB24.73 million owed to financial institutions such as Shanghai Dazong Financial Leasing Co., Ltd* (上海大眾融資租賃有限公司), Cinda Financial Leasing Co., Ltd (信達金融租賃有限公司) and COSCO Shipping Leasing Co., Ltd* (中遠海運租賃有限公司), repay debt interest of approximately RMB109.58 million, pay a total of approximately RMB65.69 million for construction payable of relevant creditors, operation and maintenance payables and land tax to CNBM Technology Corporation Limited (中建材資訊技術股份有限公司), Anyi Construction Group Co., Ltd. (安宜建設集團有限公司), Hebei Surpass Sun Electric Co., Ltd* (河北追日電氣股份有限公司) and IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited* (電子產業電子第十一設計研究院科技工程股份有限公司).

In relation to (b), an amount of RMB1,745 million shall be payable by Asia Pacific Resources within three months after the date of completion. The Company expects that such amount will be utilised in accordance with the sale and purchase agreement for the 2018 Disposal as disclosed in the circular.

In relation to (c), the Company has already entered into a loan assignment agreement with Sino Alliance which assigned a debt of HK$1,200 million to Asia Pacific Resources.

Furthermore, as disclosed in the Company's circular dated 30 June 2019, Peace Link entered into a legally binding deed of waiver and undertaking in favour of the Company on 24 March 2019, pursuant to which Peace Link agreed to 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. The Company has received a waiver and commitment deed from Peace Link, which waived the repayment and redemption obligation of the Company of HK$1,948 million under the Third CB.

Previously Proposed Subscription

In respect of the Previously Proposed Subscription, as disclosed in the announcement of the Company dated 31 March 2019, as there remained conditions that were not fulfilled or waived and the Company had not received the subscriber's decision to extend the long stop date, the Previously Proposed Subscription eventually lapsed on 31 March 2019.

2019 Disposal

As disclosed in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 2019, each in relation to the 2019 Disposal, on 15 November 2019, Jiangxi Shunfeng, Shanghai Shunneng and Shijiazhuang Yakai (each a wholly-owned subsidiary of the Company) entered into 11 sale and purchase agreements (together, the "**2019 Sale and Purchase Agreements**") with Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) (the "**2019 Disposal Purchaser**"), pursuant to which the vendors conditionally agreed to sell, and the 2019 Disposal Purchaser conditionally agreed to purchase, the equity interests in 11 subsidiaries of Group (each a "**2019 Subject Company**"), with total installed capacity of 490MW in their solar power projects, at an aggregate consideration of RMB641.42 million. It is further disclosed in the poll results announcement of the Company dated 17 January 2020 that the ordinary resolution to approve the 2019 Disposal was duly passed by the Shareholders in the extraordinary general meeting on the same date.

As at the Latest Practicable Date, registration for share transfer has been completed in respect of all of the 2019 Subject Companies, being Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司) ("**Hami Hengxin**"), Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司) ("**Hami Junxin**"), Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司) ("**Hami Tianhong**"), Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司) ("**Hami Yixin**"), Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司) ("**Hebei Guowei**"), Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司) ("**Jinchang Zhongke**"), Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司) ("**Pingluo Zhongdianke**"), Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德(哈密)太陽能發電有限公司) ("**Shangde (Hami)**"), Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司) ("**Sunan Yugur**"), Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司), ("**Wuwei Huadong**") and Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬

構件有限公司), ("**Wuwei Jiuyuan**"). As at the Latest Practicable Date, (i) 60% of the consideration payable for Hami Hengxin and Shandge (Hami) has been paid by the 2019 Disposal Purchaser into the vendors' bank accounts; (ii) 10% of the consideration payable for Hami Junxin, Hami Tianhong, Hami Yixin, Hebei Guowei and Pingluo Zhongdianke has been paid by the 2019 Disposal Purchaser into the vendor's bank accounts; and (iii) 10% of the consideration payable for Jinchang Zhongke, Wuwei Huadong and Wuwei Jiuyuan has been paid by the 2019 Disposal Purchaser into the escrow accounts in accordance with the terms of the 2019 Sale and Purchase Agreements.

However, as disclosed in the circular dated 29 December 2019, although the completion of the 2018 Disposal had significantly reduced the Group's highly indebted position and finance costs, it was insufficient for the Group to meet its immediate financing needs. Therefore, the Group has continued to implement a series of development plans which comprise, among other things, (i) the 2019 Disposal, (ii) further disposal(s) of solar power plants in the PRC by tranches and (iii) seeking extension of due dates of the relevant debts and/or alternative refinancing. The Disposals are one of the tranches of further disposals secured by the Company in respect of the Target Companies.

Working capital needs and reducing debt level

The Company has recorded a negative net cash position of RMB12,869.7 million as at 31 December 2017, RMB12,889.3 million as at 31 December 2018 and RMB8,563.7 million as at 31 December 2019.

In particular, the Group's negative net cash position of RMB8,563.7 million as at 31 December 2019 included cash and cash equivalents of RMB89.7 million, bank and other borrowings of RMB7,327.2 million, convertible bonds of RMB501.4million and bonds payable of RMB824.8 million.

As at the Latest Practicable Date, the Company's major debts falling due on or before 31 December 2020 are set out as follows, which do not include the debts owed by the Target Companies:

	Creditor	Principal Amount		Original Due date	Negotiation status	Expected source of fund
		HK\$'000	*RMB'000*			
1.	Sino Alliance	500,000		31 December 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK\$500 million to 30 June 2020 since early February 2020.	The 2019 Disposal

	Creditor	Principal Amount HK$'000	Principal Amount RMB'000	Original Due date	Negotiation status	Expected source of fund
		800,000		31 December 2020 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK$800 million since early February 2020.	The Disposals and possible disposals of further solar power plants and potential extension
2.	China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行)	200,000		31 December 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK$200 million to 30 June 2020 since early February 2020.	The 2019 Disposal
		120,000		31 December 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of balance amount of HK$780 million since early February 2020.	The Disposals and possible disposals of further solar power plants and potential extension
		280,000		15 July 2020 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of balance amount of HK$780 million since early February 2020.	The Disposals and possible disposals of further solar power plants and potential extension
		380,000		18 December 2020 and seeking further extension date		
3.	Chongqing International Trust Co., Ltd* (重慶國際信託股份有限公司)		666,000	30 September 2019	Another supplementary agreement was entered into between the Group and Chongqing Trust on 23 December 2019 to further extend the due date to 30 September 2020.	Possible disposals of further solar power plants and to seek further extension date if needed

	Creditor	Principal Amount		Original Due date	Negotiation status	Expected source of fund
		HK$'000	*RMB'000*			
4.	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")		550,000	09 November 2019	The Company is currently in negotiation with the bondholders to seek the further extension of amount of HK$550 million to the date that the sales proceeds from 2019 Disposal and The Disposal have received by the Group since early February 2020.	The 2019 Disposal and the Disposals
5.	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")		275,000	25 April 2020	The Company and the bondholder of the 2016 Corporate Bond have been entered into an extension agreement dated 25 April 2020 with the bondholder agreeing conditionally to extend the due date to either the time at which a sufficient amount of proceeds will be received by the Group from the 2019 Disposal or 25 October 2020, whichever is earlier.	The Disposals or possible disposals of further solar power plants
6.	True Bold Global Limited	189,696		27 November 2019	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK$189.7 million to 30 June 2020 since early February 2020.	The 2019 Disposal
7.	17 individual bondholders	545,250		25 March 2020	The Company has obtained the written confirmations from 17 individual bondholders to agree the further extension date to 30 June 2020.	The 2019 Disposal

	Creditor	Principal Amount *HK$'000*	*RMB'000*	Original Due date	Negotiation status	Expected source of fund
8.	JIC Trust Co., Ltd* (中建投信託有限公司) ("**JIC**")		490,000	16 August 2019	An independent financial institution of principal balance of RMB490,000,000 which has been overdue on 16 August 2019. JIC lodged litigation against the Group during the year ended 31 December 2019 and subsequently, the Group received the first-instance judgement from the High People's Court of Zhejiang in January 2020, requesting the Group to repay the outstanding loan principal of RMB490,000,000, interest payable of RMB97,066,000 and penalty interest payable of RMB37,146,000, totalling RMB624,212,000 immediately. Since the equity interest of the Group's subsidiary which owns and operates the solar power plant has been pledged to JIC, JIC has agreed the outstanding amount of RMB490 million shall be settled by the sales proceeds from the possible consideration from the possible disposals of further solar power plants.	Possible disposals of further solar power plants
	Total	**3,014,946**	**1,981,000**			

As disclosed in this circular, the Consideration involves payment in cash of approximately RMB181 million. In addition, the Relevant Payables of approximately RMB288 million will be paid by the Target Companies to the Post 2019 Disposal Remaining Group in cash. As such, the Company expects that the proceeds from the Disposals and such cash payments will help, among other things, the improvement of its balance sheet position by reducing its debt level.

In order to settle the major debts falling due on or before 31 December 2020, the Company intends to (i) settle part of the debts with a substantial part of the Consideration and the Relevant Payables amounting to approximately RMB250 million, (ii) engage in further negotiations with the major creditors of the Company including Sino Alliance, China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) and Chongqing International Trust Co., Ltd.* (重慶國際信託股份有限公司) for potential extension of the repayment period of certain debts of the Company and (iii) further dispose of part of its solar power plants. It is expected that such further disposals will generate cash proceeds, the amount of which is to be determined upon further commercial negotiations between the Company and the potential purchasers, and will then be utilised to settle certain outstanding debts that are due on or before 31 December 2020. If, and only if, there are still outstanding debts due and unpaid upon carrying out the above steps (i) and (ii), the Board will consider disposing of further solar power plants as and when necessary. As at the Latest Practicable Date, (i) the Company has been negotiating with a potential purchaser in respect of possible disposals of nine solar power plants with an aggregate capacity of 180MW and the site due diligence on such nine solar power plants has been completed by the potential purchaser; and (ii) the Company has not entered into any other arrangements or agreements or understanding, whether formal or informal, with any potential purchasers other than the Purchaser with respect to the Sale and Purchase Agreements. The Company will also continue to seek appropriate purchaser(s) for disposal of certain other solar power plants, with a view to reducing the overall debt level and improving the financial position of the Company in the long run. Since no definitive agreement has been entered into in respect of possible disposals of further solar power plants, the actual scope and size of the possible disposals of further solar power plants have not been confirmed. As a result, the Board is unable to assess the impacts of the possible disposals of further solar power plants on the operations of the Post 2019 Disposal Remaining Group as at the Latest Practicable Date. The Company will disclose the disposals of further solar power plants and the impacts arising therefrom on the operations of the Post 2019 Disposal Remaining Group as and when necessary in compliance with the Listing Rules. The Board has been implementing the further disposal plan in respect of solar power plants in an orderly and gradual manner since the 2018 Disposal and the Board will continue to strike a balance between improving the financial position of the Company with the further disposal plan and maintaining a sustainable business.

Reference is made to the Company's 2019 annual report dated 15 May 2020 (the "**Annual Report**"). As set out in note 1(b) to the consolidated financial statements in the Annual Report, there exist material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. In light of such uncertainties, the Company's auditors issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 on material uncertainties over the

Group's ability to continue as a going concern. To address the disclaimer of opinion, the Group continues to implement a range of actions including the completion of and the collection of proceeds from the Disposals, which are intended to be used to settle certain debts as detailed in the table above.

Delay in receiving tariff subsidy and receivables from State Grid

With reference to the Renewable Energy Law, on-grid tariffs of renewable energy power generation projects shall be determined by a competent pricing department of the State Council of the PRC taking into account various factors and in accordance with the principle of promoting the development and utilisation of renewable energy, with timely adjustments made based on the development of technology utilisation. Under the Renewable Energy Law, the higher costs incurred for purchasing electricity generated by renewable energy as compared to costs calculated on the basis of the average on-grid tariff for electricity generated by conventional energy sources shall be compensated by the amount collected by way of a renewable energy tariff imposed on the sale of electricity nationwide.

In August 2013, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) issued the price reform (Reform [2013] No. 1638) which stipulated that where the benchmark grid price of solar power plant is higher than that of the local coal-fired unit benchmark price, renewable energy development fund (the "**Renewable Energy Development Fund**") shall be used to subsidise enterprises by the difference between the benchmarked prices.

Due to limited sources of income of the Renewable Energy Development Fund, limited tariff subsidies have been released from the Renewable Energy Development Fund for renewable energy projects over the past two years. As at the Latest Practicable Date, the Company has collected the subsidies for and until around January 2018, with an aggregate amount of RMB1,677 million, which do not include the subsidies in relation to the 2019 Subject Companies; in other words, subsidies for the solar power plants of the Group eligible for renewable energy tariff has been in arrears for nearly two years. As at 31 December 2019, the Company has a subsidy receivable of RMB1,686 million and receivables on accrued revenue on tariff subsidies from the State Grid of approximately RMB1,218 million from the Group consolidated level which does not include the 2019 Subject Companies and approximately RMB267 million from the Target Companies' level. Given the Company's limited bargaining power with the State Grid, the Company has been unable to take any effective measures to secure repayment of such receivables.

As a result of the delay in receiving tariff subsidies from the State Grid, the Group's operating cash flow has been impacted significantly. It has become necessary for the Company to seek for the possibilities to dispose of certain solar power plants (such as the Target Companies) to reduce the Group's indebtedness level.

Immediate positive cash inflow

In light of the electricity restriction and delay in receiving tariff subsidies and receivables, it has become generally more difficult for the industry (especially for non-state owned companies) to operate solar power generation business in the PRC. In particular, the solar power projects have been generating less revenue. Coupled with high finance costs, the profitability of the Company has been brought down. Such factors also add fuel to the deteriorating cash flow condition of the Group. The difficulties faced by the Group are not only specific to the Company but are affecting the whole industry. A number of other large-scale solar power generation companies operating in the PRC and listed in Hong Kong also face similar issues and have disposed of their assets with a view to improving their cash flow condition.

Subsequent to the lapse of the Previously Proposed Subscription and given the above financing needs, despite the 2019 Disposal being in progress, the Company needed to source positive cash inflow to meet its current financing needs. The Company has explored and considered other measures to improve the financial positions and operations of the Group and to cope with the deteriorating cash flow condition of the Group due to the delay in receiving tariff subsidies and receivables from the State Grid, such as considering various potential buyers who had expressed interests in the assets of the Group.

Upon careful consideration and rounds of negotiations with the Purchaser, the Company eventually decided that it is appropriate to dispose of the Target Companies under the Disposals to the Purchaser for the following reasons:

(i) **Higher proportion of cash will be received:** Having taken into account the proportion of cash receivable by the Post 2019 Disposal Remaining Group (including the Consideration and the Relevant Payables) against the level of outstanding external loans owed by the Target Companies (including bank loans and payables for construction projects) which are lower compared to other subsidiaries of the Group, the Company considered that disposing of the Target Companies would generate a higher positive cash flow compared to disposal of other subsidiaries of the Group.

(ii) **Proximity of the solar power plants and their capacity:** All Target Companies are located in the Xinjiang Province, PRC with a total capacity of 140MW. The Company considered that the geographical proximity among the solar power plants would facilitate their operation by the Purchaser after Completion, thereby rendering the Target Companies more valuable to the Purchaser and would help the Company bargain for a higher consideration.

The Disposals will generate an immediate cash inflow of approximately RMB468.9 million (being the sum of the Consideration and the Relevant Payables), which would help the Company repay its debts that are due or will become due in approximately six months from the Latest Practicable Date according to the use of proceeds in the section headed "Use of Proceeds" below. Besides, due to the substantial investments involved in the Disposals, there are limited potential purchasers who are capable of providing a sufficient amount of cash to acquire the Target Companies which can then be used to meet the

Company's financing needs, and who at the same time, are ready to invest in the market of solar power plants. After the Board's careful consideration, the Board considered that the offer of the Purchaser is a viable option and may be carried out in a relatively expeditious manner, and hence in the interest of the Company and the Shareholders as a whole. As such, the Company eventually decided to proceed with the Disposals.

Confirmation of Board

Based on the above, the Board is of the view that the terms of the Disposals (including the Consideration and the terms of payment) are fair and reasonable, and that the Disposals are in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF DISPOSALS

Assuming Completion occurs on 31 December 2019 and for an illustrative purpose, the Directors assessed that an unaudited loss before taxation from the Disposals of approximately RMB205 million will be recognised, which was determined based on certain factors including primarily the Consideration, the unaudited net asset value of the Target Companies prepared in accordance with International Financial Reporting Standards as at 31 December 2019, the finance costs that have been capitalised at the Group level as at 31 December 2019 and the relevant terms and conditions of the Disposals such as the repayment of the Relevant Payables to the Vendors.

The unaudited loss before taxation from the Disposals is calculated according to the following formula:

Unaudited loss before taxation from the Disposals = (1) – (2) – (3) – (4) + (5), where:

(1) the aggregate Consideration, being approximately RMB181 million;

(2) deduction of the Changzhou Payables from the Consideration, details of which are set out in the section headed "Sale and Purchase Agreement — Consideration and payment" in this circular, being approximately RMB13 million;

(3) adjusted carrying amount of net assets of the Target Companies, being approximately RMB369 million;

(4) original fair value adjustment of amounts due from the Target Companies, being approximately RMB144 million; and

(5) aggregate modification gain due to change in expected cash flow, being approximately RMB140 million.

The Company considered that the unaudited loss from the Disposals is primarily attributable to the factors set out below:

(i) The operating income generated by the solar power generation of the Target Companies was less than the amount expected by the Company and therefore, the Company was unable to bargain for a higher consideration.

- In the PRC, the market generally takes 20 years as the useful life of solar power plants as this period represents the longest period for which each solar power plant in the PRC is entitled to the subsidy from the PRC government. The solar power plants owned by the Target Companies, on average, still have 15 years in terms of their remaining average life. Due to the restrictions on the supply of electricity in the solar power plants located within the PRC, the actual power generation did not reach the designed capacity of the solar power plants. No government subsidy will be received in respect of the wasted capacity of the solar power plants as a result of the restrictions, which has brought a negative impact on the income of the Target Companies. In the 12 months immediately preceding the valuation date of the Valuation Report (being 30 September 2019), the average rate of restriction is 8.59%, representing the difference between the maximum designed capacity of the solar power plants and the actual amount of power generated as a result of the restrictions on the supply of electricity. This power supply restriction resulted in a corresponding 8.59% decrease in the income generated by the solar power plants owned by the Target Companies as compared to the expected income. This contributes to a reduction in the solar power plants' market value amounting to approximately RMB78 million in aggregate.

- In relation to the price of the electricity generated by the relevant solar power plants owned by the Target Companies, the market price of approximately RMB0.893 per kilowatt-hour has been lower than the price originally approved by the National Development and Reform Commission of the PRC of RMB1 per kilowatt-hour (being the sum of the on-grid benchmark tariff rate of local coal-fired power plants of RMB0.25 per kilowatt-hour and the reusable energy tariff subsidy of RMB0.75 per kilowatt-hour) since 2016 by approximately RMB0.107 per kilowatt-hour (being a decrease of approximately 10.7%). Such decrease was due to the fact that the National Energy Administration of the PRC and the State Grid encouraged clean energy enterprises to participate in cross-border power trading market to sell electricity and that the Group has reduced the selling price to a level lower than the on-grid benchmark tariff rates to maximise the market share, with a view to relieving the overall power restriction on limiting the use of electricity in the PRC market and enhancing the production efficiency.

  Although the market price of electricity is unlikely to increase in the short run based on the current market conditions, the fluctuation of the market price of electricity has not been significant based on the actual sale price of electricity over the past three years. In addition, selling electricity through the open markets at a slightly lower price than the government approved price would have a positive impact on the Company's income and level of operation, as such proportion of electricity would not have been purchased by the State Grid at the approved price in any event.

In addition, the Board has separately performed a sensitivity test on the valuation of the Target Companies based on two major factors affecting the valuation, namely, the market price of the electricity and the power restriction rate. According to the sensitivity test, the price of the Target Companies will decrease by approximately RMB11.6 million in aggregate if the market price of electricity decreases by RMB0.01 per kilowatt-hour, while the price of the Target Companies will increase by approximately RMB9.0 million in aggregate if the power restriction rate decreases by 1%.

The impacts of the drop in price have been reflected in the Valuation Report and the drop in price has led to a corresponding decrease in the Target Companies' income by 10.67% as compared to the expected price, and thus a consequential reduction in their market value amounting to approximately RMB116 million in aggregate.

(ii) In addition, the delay in receiving tariff subsidies and receivables from the State Grid and other commercial factors such as discounts offered due to a lack of marketability of the relevant solar power plants resulted in a further reduction in the value of the Disposals of approximately RMB20 million.

As the above reasons are inherent in the market of solar power supply within the PRC, the Board considers that the issues stated above may not be adequately resolved in the near future.

The actual gain or loss arising from the Disposals shall be determined based on the net asset value of the Target Companies as at the date of Completion. The above calculation and accounting treatment are subject to changes on the actual Completion date.

Earnings

For illustration purpose only, assuming each Disposal and the 2019 Disposal had been completed on 1 January 2019, the loss attributable to the owners of the Company for the year ended 31 December 2019 would have increased by approximately RMB227,843,000, which comprised the loss amounting to RMB173,139,000 arising from completion of the Disposals and the derecognition of profit amounting to RMB54,704,000 for the year ended 31 December 2019 of the 2019 Subject Companies, from approximately RMB1,884,883,000 in respect of the Group to approximately RMB2,112,726,000 in respect of the Post 2019 Disposal Remaining Group.

Assets

For illustration purpose only, assuming each Disposal and the 2019 Disposal had been completed as at 31 December 2019, the total assets as at 31 December 2019 would have decreased by approximately RMB875,333,000 from approximately RMB16,132,494,000 in respect of the Group to approximately RMB12,827,346,000 in respect of the Post 2019 Disposal Remaining Group.

Liabilities

For illustration purpose only, assuming each Disposal and the 2019 Disposal had been completed by 31 December 2019, the total liabilities as at 31 December 2019 would have decreased by approximately RMB3,094,995,000 from approximately RMB15,547,861,000 in respect of the Group to approximately RMB12,452,866,000 in respect of the Post 2019 Disposal Remaining Group.

For details of the financial effects of the Disposals in respect of the Remaining Group, 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 Disposals disclosed above is assessed by the Directors which is presented solely for illustrative purpose only and is subject to change upon actual Completion.

USE OF PROCEEDS

The Company intends to use the net proceeds from the Disposals as follows:

(1) RMB250 million to be used for the repayment of principals and interests of loans due by the Post 2019 Disposal Remaining Group, the creditors of which mainly include Donghai Securities Co., Ltd.* (東海證券股份有限公司), True Bold Global Limited, 17 individual bond holders, Sino Alliance and China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行);

(2) RMB150 million to be used for paying engineering and equipment payables for the Post 2019 Disposal Remaining Group's power plant projects;

(3) RMB40 million to be used for paying the daily operation and maintenance costs, technical renovation costs and land tax; and

(4) the remaining amount to be used for paying daily management fees and professional fees incurred from the Disposals.

FINANCIAL AND TRADING PROSPECTS OF POST 2019 DISPOSAL REMAINING GROUP

Following Completion, the Group will remain to focus on its current business and develop the Group into a global leading clean energy provider. Specifically, to the Company will focus on (i) the solar power businesses in the PRC with approximately 868MW on-grid generation including the development and management of solar power plants; and (ii) LED manufacturing and sales business.

RISK MANAGEMENT OF POST 2019 DISPOSAL REMAINING GROUP

The Post 2019 Disposal Remaining Group is exposed to various types of risks, including currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

Business risks

The Group's solar power generation business is operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in the PRC may affect the Group's financial position and performance. In addition, power output restrictions and delay in the payment of feed-in-tariff subsidies will affect the profitability of the Group.

Currency risk

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB. However, part of the debt of the Post 2019 Disposal Remaining Group is calculated in HK$.

The Post 2019 Disposal Remaining Group currently does not have a foreign currency hedging policy but the Directors 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 Post 2019 Disposal 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 bonds payables. The Post 2019 Disposal 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.

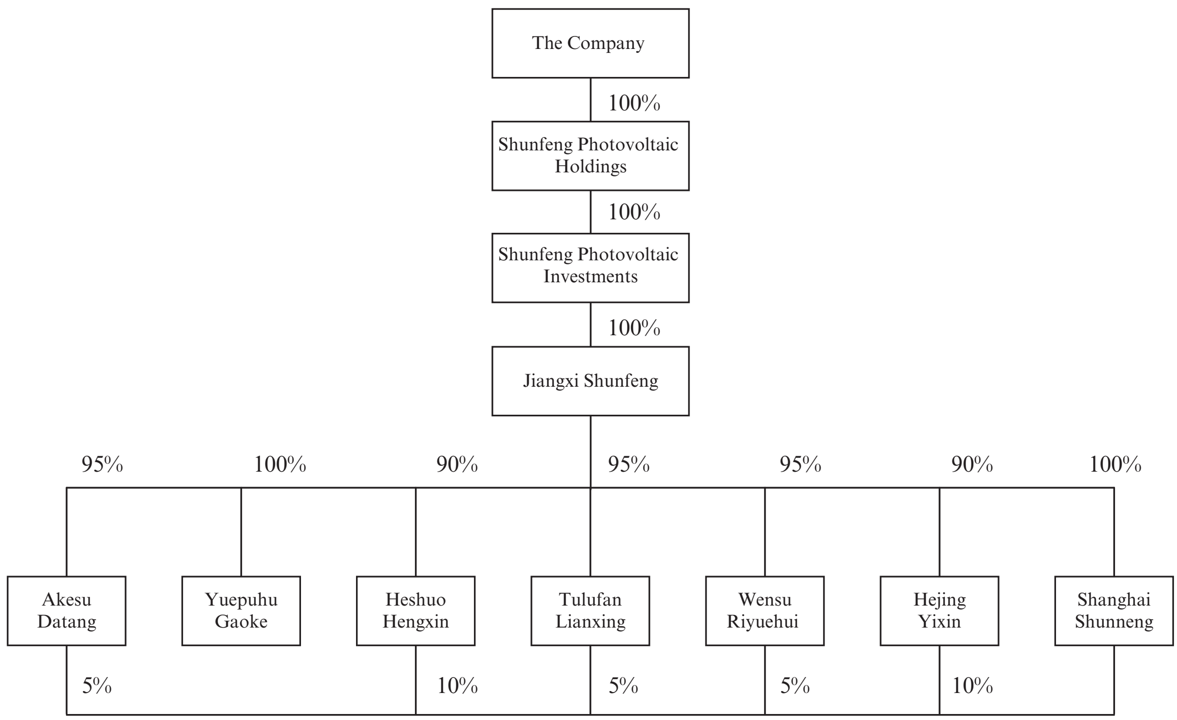
Liquidity risk

Liquidity risk is the risk that the Post 2019 Disposal Remaining Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Post 2019 Disposal Remaining Group will continually monitor cash flows and maintain an adequate level of cash and credit facilities to ensure that the Post 2019 Disposal Remaining Group can meet its finance needs.

INFORMATION ON TARGET COMPANIES

Ownership structure of Target Companies

The ownership structure of the Target Companies is set out below:



Further details of the Target Companies are set out as follows:

Name of Target Company	Principal business	Projects involved	Grid-connected	Principal place of business	Equity interest held by the Group
1. Akesu Datang	Solar power generation and sale of electricity	Datang Akesu 20MW Photovoltaic Grid-connected Power Generation Project	Yes	Akesu Economic Technology Development Zone (West District), Akesu, Akesu District, Xinjiang	100%
2. Yuepuhu Gaoke	Solar power generation and sale of electricity	Gaoke New Energy Kashi Yuepuhu 20MW Photovoltaic Grid Connected Power Generation Project	Yes	Photovoltaic Zone, Industrial Zone, Yuepuhu, Kashi District, Xinjiang	100%
3. Heshuo Hengxin	Solar power generation and sale of electricity	Hengxin Bazhou Heshuo 30MW Photovoltaic Grid-connected Power Generation Project	Yes	North of Lazashite Power Conversion Station (within the industrial zone), Ushetala, Heshuo, Bazhou	100%
4. Tulufan Lianxing	Solar power generation and sale of electricity	Tulufan Lianxing Phase I 20MW Photovoltaic Grid-connected Power Generation Project	Yes	Xiyilidu, Donghuang Road, Gaochang District, Tulu	100%
5. Wensu Riyuehui	Solar power generation and sale of electricity	Wensu Riyuehui 20MW Photovoltaic Grid-connected Power Generation Project	Yes	Hongzhi Field Development Zone, Wensu Production Zone, Akesu, Xinjiang	100%
6. Hejing Yixin	Solar power generation and sale of electricity	Yixin Bazhou Hejing 30MW Photovoltaic Grid-connected Power Generation Project	Yes	Light Industry Zone, Elezaite, Hejing Industrial Zone, Bazhou	100%

Financial information on Target Companies

The financial information of the Target Companies according to the audited financial statements of the Target Companies for the two years ended 31 December 2018 and the unaudited financial statement of the Target Companies for the year ended 31 December 2019 prepared in accordance with the generally accepted accounting principles in the PRC is as follows:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Akesu Datang			
Total asset value	184,602	186,828	177,288
Net asset value	42,507	44,181	47,479
Total revenue	16,722	19,038	20,251
Net profit/(loss) before taxation	(4,020)	1,674	3,298
Net profit/(loss) after taxation	(4,020)	1,674	3,298
Yuepuhu Gaoke			
Total asset value	193,305	193,153	183,201
Net asset value	35,718	41,043	38,711
Total revenue	14,378	16,526	17,931
Net profit/(loss) before taxation	(6,458)	(2,675)	(2,332)
Net profit/(loss) after taxation	(6,458)	(2,675)	(2,332)
Heshuo Hengxin			
Total asset value	267,124	287,659	287,207
Net asset value	90,214	96,041	100,105
Total revenue	26,679	34,095	34,714
Net profit/(loss) before taxation	(1,449)	5,826	4,064
Net profit/(loss) after taxation	(1,449)	5,826	4,064
Tulufan Lianxing			
Total asset value	204,011	206,465	198,950
Net asset value	42,687	43,751	61,629
Total revenue	16,668	21,096	21,212
Net profit/(loss) before taxation	(4,899)	1,064	(2,122)
Net profit/(loss) after taxation	(4,899)	1,064	(2,122)
Wensu Riyuehui			
Total asset value	188,095	191,031	178,225
Net asset value	37,566	39,397	41,705
Total revenue	16,746	18,942	21,339
Net profit/(loss) before taxation	(5,976)	1,831	2,308
Net profit/(loss) after taxation	(5,976)	1,831	2,308

	For the year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Hejing Yixin			
Total asset value	295,629	300,283	296,481
Net asset value	88,995	91,978	97,254
Total revenue	27,835	26,958	33,058
Net profit/(loss) before taxation	273	2,983	5,276
Net profit/(loss) after taxation	273	2,983	5,276

As at the Latest Practicable Date, the entire Equity Interest in each of the Target Companies is held by the Group. Upon Completion, each Target Company will cease to be a subsidiary of the Company and the financial positions and results of the Target Companies as listed above will no longer be consolidated into the financial statements of the Group.

INFORMATION ON GROUP

The Company has evolved from engaging purely in the solar power business into a diversified leading integrated provider of clean energy and low-carbon and energy-saving solutions with global influence. 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 Post 2019 Disposal Remaining Group

Upon Completion, the Post 2019 Disposal Remaining Group will continue to (i) operate the PRC Power Generation Business and (ii) operate 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 Post 2019 Disposal Remaining Group's first solar power plant in the PRC commenced in 2011. As at the Latest Practicable Date, the Post 2019 Disposal Remaining Group operated 39 solar power plants in the PRC situated in 10 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 Post 2019 Disposal Remaining Group, as at 31 December 2019, the Post 2019 Disposal Remaining Group's on-grid solar power plants in the PRC account for approximately 0.4% of the total on-grid solar power plants in the PRC in terms of installed capacity.

Set out below is a list of the locations, capacities and status of the solar power plants of the Post 2019 Disposal Remaining Group as at the date of this letter.

Location	**Capacity** *(MW)*	**Status**
Xinjiang	408.69	Grid-connected
Gansu	100.00	Grid-connected
Hebei	163.00	Grid-connected
Ningxia	0.00	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	Grid-connected
Tibet	9.75	Grid-connected

The solar power plants of the Post 2019 Disposal Remaining Group are situated in multiple parts of China. The aggregate capacity of all of the solar power plants comes to a total of approximately 868MW.

Set out below are the total assets value, revenue and net profit/(loss) attributable to the Post 2019 Disposal Remaining Group of the PRC Power Generation Business for the three years ended 31 December 2017, 2018 and 2019:

	31 December 2017	**31 December 2018**	**31 December 2019**
Total assets *(RMB'000)*	9,190,190	8,579,645	8,066,388
Revenue *(RMB'000)*	634,316	699,539	778,029
Net loss attributable to the Post 2019 Disposal Remaining Group *(RMB'000)*	247,886	261,979	575,362

For further details on the financial information of the Post 2019 Disposal Remaining Group and details on the financial information of the Remaining Group, please refer to Appendix IV and Appendix III to this circular, respectively.

Business model

Historically, the operation model of the Group's PRC Power Generation Business involved the Company raising 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 would also allow the Company to obtain on-grid electricity fees and additional power generation subsidies provided by the government. The power generation subsidies would be provided by the PRC government to solar power generation projects (including the Group) that are more environmentally friendly. 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 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. The Group does not need to purchase raw materials except when certain equipment or parts need to be replaced due to malfunctioning.

The revenue generated from the PRC Power Generation Business is classified into (i) the price of electricity as charged directly to the consumers (i.e. State Grid), amounting to 25% to 30% of the total revenue, which is collected by the end of each month and (ii) the tariff subsidies receivable from the State Grid, amounting to 70% to 75% of the total revenue.

As disclosed in the section headed "Reasons for and Benefits of Disposals — Delay in receiving tariff subsidy and receivables from State Grid", the tariff subsidies receivables are currently outstanding in arrears for approximately two years due to limited source of income of the Renewable Energy Development Fund, hence the reduction on release of tariff subsidies from the Renewable Energy Development Fund. According to certain recent article published by the Ministry of Finance of the PRC, the Company understands that the PRC government devotes to optimise the shortfall of the Renewable Energy Development Fund through various manners, including but not limited to strengthening the collection of renewable energy funds through the State Taxation Administration of the PRC.

As the relevant policies relating to the payment of shortfall of Renewable Energy Development Fund are gradually being implemented by the PRC government, the Group has been continuously receiving tariff subsidies overdue for around two years, and the Board expects that the payment of the tariff subsidies will remain in arrears for a period of two years based on the actual distribution from the Renewable Energy Development Fund in year 2019. As at the Latest Practicable Date, the Board has received full payment of the tariff subsidies generated in the whole of the financial year 2017 and for January 2018. As the Ministry of Finance of the PRC normally reviews, approves and publishes their budget on renewable energy subsidies in the first six months of a year, based on the Group's records on collecting tariff subsidies over the last three years, the Ministry of Finance of the PRC has generally distributed tariff subsidies in arrears two years before the current year during the period from July to December on a rolling basis, and therefore, the Board expects that the Group will receive the tariff subsidies generated in the financial year 2018 during the course of year 2020. As such, the total amount of tariff subsidies being in arrears is expected to remain constant and the amount will not increase further in the upcoming financial year. Further, in view of the current tight cash flow of the Company, the Board currently has no plan to commence construction or invest in new solar power plants in the upcoming financial year, and will focus on the operation of existing solar power plants held by the Group. In addition, the Board is reviewing and using its best endeavour to streamline its financing options and plans such that the financing and funding of the Group's PRC Power Generation Business will be more optimised with an aim to reduce the short-term debt ratio, which has been high due to the delay in receipt of the tariff subsidies while the returns from the investment made in the solar power plants generally take a longer period to materialise. Upon completion of the Disposals, the Board expects that the debt structure of the Group will be improved and the debt ratio will be reduced. Together with the reasons stated above, the Board is of the view that the PRC Power Generation Business model will remain viable and sustainable, and the Company intends to operate the PRC Power Generation Business with the current business model, save that the Board has no plan to commence construction or invest in new solar power plants in the upcoming financial year as stated above.

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 2017, 2018 and 2019, the total number of customers in respect of the Group's PRC Power Generation Business was 42, 41 and 40, 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 projects with a term ranging from two to five years, involving a total of approximately 868 MW of installed capacity with the relevant branches of the State Grid.

Information on suppliers

For the three years ended 31 December 2017, 2018 and 2019, the total number of suppliers in relation to the PRC Power Generation Business was 7, 12 and 12, respectively. Further, for the three years ended 31 December 2017, 2018 and 2019, the total supplier purchase amount of the PRC Power Generation Business was RMB173.6 million, RMB130.4 million and RMB9.3 million, respectively. The relatively higher purchase amount in 2017 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 2017.

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 Company. 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 Post 2019 Disposal Remaining Group of the LED Business for the three years ended 31 December 2017, 2018 and 2019:

		31 December	
	2017	**2018**	**2019**
Total assets *(RMB'000)*	683,912	684,502	713,627
Revenue *(RMB'000)*	320,018	334,521	362,743
Net Profit attributable to the Post 2019 Disposal Remaining Group *(RMB'000)*	43,653	28,246	22,746

For further details on the financial information of the Post 2019 Disposal Remaining Group and details on the financial information of the Remaining Group, please refer to Appendix IV and Appendix III to this circular, respectively.

Business model

The operation model of the LED Business involves research and development, production and sales of LED products to the 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 2017, 2018 and 2019, the total number of customers in respect of the Group's LED Business was 500, 708 and 582, respectively. Further, at each of the three years ended 31 December 2017, 2018 and 2019, the total sales of the Group's LED Business was RMB320 million, RMB335 million and RMB364 million, respectively.

Information on suppliers

For the three years ended 31 December 2017, 2018 and 2019, the total number of suppliers of the Post 2019 Disposal Remaining Group in relation to the LED Business was 466, 450 and 401, respectively. Further, for the three years ended 31 December 2017, 2018 and 2019, the total supplier purchase amount of the LED Business was RMB236.5 million, RMB207.8 million and RMB171.3 million, respectively.

Scale of operation of Post 2019 Disposal Remaining Group

As set out above, the revenue generated from the Post 2019 Disposal Remaining Group for the years ended 31 December 2017, 2018 and 2019 was approximately RMB954 million, RMB1,034 million and RMB1,102 million, respectively. The solar power plants of the Post 2019 Disposal 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 approximately 868 MW. The Post 2019 Disposal Remaining Group employs approximately 1,034 staff.

INFORMATION ON VENDORS

Jiangxi Shunfeng

Jiangxi Shunfeng is a company incorporated under the laws of PRC with limited liability and is a wholly-owned subsidiary of the Company. Jiangxi Shunfeng is principally engaged in investing in photovoltaic power generation in the PRC. Its scope of business includes investment management, providing services to entities the Company has invested in (including (a) assisting with the purchase of equipment, office facilities, raw materials, core components, parts and others for production purposes, the sales of products and the provision of after sales services and (b) settling foreign exchange transactions, subject to the approval and guidance of the relevant foreign exchange control authorities.

Shanghai Shunneng

Shanghai Shunneng is a company incorporated under the laws of PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Shanghai Shunneng is principally engaged in investment holding and management, consultation on investment activities and sale of solar products.

INFORMATION ON PURCHASER

The Purchaser is a company incorporated under the laws of the PRC with limited liability. It is a wholly-owned subsidiary of Zhejiang Chint Electrics. Its scope of business includes the production of photovoltaic power generation systems and photovoltaic building products for integration. Based on the 2019 annual report of Zhejiang Chint Electrics and other publicly available information, Mr. Nan Cunhui (南存輝) and his concert parties were interested in 55.46% of the shares of Zhejiang Chint Electrics, which comprised (i) 3.45% held in his personal capacity, (ii) 43.56% held by Chint Group Holding Co., Ltd* (正泰集團股份有限公司) (in which Mr. Nan had a 41.74% aggregate equity interest), (iii) 8.38% held by Zhejiang Chint New Energy Investment Co., Ltd* (浙江正泰新能源投資有限公司) (a non-wholly owned subsidiary of Chint Group Holding Co., Ltd) and (iv) 0.06% held by three individuals acting in concert with him at 0.02% each. Mr. Nan was stated to be the ultimate controller of Zhejiang Chint Electrics in its 2019 annual report.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected person (as defined under Chapter 14A of the Listing Rules).

Save as disclosed in this circular, the Company has not entered into or contemplated to enter into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Purchaser or its ultimate beneficial owner as at the Latest Practicable Date.

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 Agreements and the Disposals in aggregate exceed 75%, the Disposals collectively 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.

EGM

An EGM will be convened and held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Thursday, 2 July 2020 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposals contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreements and the Disposals contemplated thereunder and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

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 the Sale and Purchase Agreements and the Disposals contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreements and the Disposals contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. The Shareholders are advised to read the appendices before deciding as to how to vote on the resolutions approving, among other things, the Sale and Purchase Agreements and the Disposals contemplated thereunder.

GENERAL

Shareholders and potential investors should note that the Disposals are subject to certain conditions and may or may not materialise. There is no assurance that the Disposals 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
Wang Yu
Chairman

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://sfcegroup.com):

(i) annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 54 to 202)

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804271256.pdf

(ii) annual report of the Company for the year ended 31 December 2018 published on 30 April 2019 (pages 53 to 238)

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0430/LTN20190430935.pdf

(iii) annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 53 to 241)

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501248.pdf

II. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2020, 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 2020, the Group had bank and other borrowings of approximately RMB7,625.4 million, (being their principal amounts as at 30 April 2020) of which:

a) bank and other borrowings of approximately RMB2,454.1 million were secured by certain leasehold land, accrued revenue on tariff subsidy, bank deposits, and/or equity interests in certain subsidiaries of the Group and were all guaranteed by (i) Mr. Cheng, (ii) Mr. Cheng and his spouse or (iii) an independent third party;

b) bank and other borrowings of approximately RMB4,673.8 million were secured by certain leasehold land, property, plant and equipment, accrued revenue on tariff subsidy, and/or equity interests in certain subsidiaries of the Group and unguaranteed;

c) bank and other borrowings of RMB497.5 million were neither secured nor guaranteed.

Bond payables

As at 30 April 2020, the Group had outstanding bond payables with an aggregate principal amount of approximately RMB825.5 million, among which RMB275.5 million is secured by certain deposits placed by the Group and unguaranteed, while the remaining RMB550.0 million is unsecured and guaranteed by Mr. Cheng.

Convertible bonds

As at 30 April 2020, the Group had outstanding unsecured and unguaranteed convertible bonds with an aggregate principal amount of approximately RMB739.5 million.

Lease obligations

As at 30 April 2020, the Group, as a lessee, had outstanding unpaid contractual lease payments* for the remainder of the relevant lease terms amounting to RMB34.4 million in aggregate (excluding contingent rental arrangement), among which RMB9.6 million is secured by rental deposits and unguaranteed, while the remaining RMB24.8 million is unsecured and unguaranteed.

* *This is the undiscounted amount and has taken into account all assessment under IFRS 16.*

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

As at 30 April 2020, the Group had non-trade related amounts due to independent third parties (included in other payables) with an aggregate carrying amount of approximately RMB20.1 million and non-trade related amounts due to related parties (included in other payables) with an aggregate carrying amount of approximately RMB1,966.3 million, which were neither secured nor guaranteed.

Financial guarantee contracts

As at 30 April 2020, the Group had provided financial guarantees totaling approximately RMB130.0 million in favour of banks enabling the related parties to obtain secured bank borrowings. In addition, the Group had provided financial guarantees totaling approximately RMB184.8 million in respect of bank borrowings and accounts payables of a Group's joint venture. As at 30 April 2020, the Group had made provision of approximately RMB184.8 million for all these financial guarantee contracts.

Contingent liabilities

As at 30 April 2020, save as the unprovided amount of the financial guarantee contracts of RMB130.0 million, the Group had no other material contingent liabilities outstanding.

General

Save as aforesaid or as otherwise disclosed in this circular, 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, lease obligations 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 2020.

III. WORKING CAPITAL STATEMENT

In order to reduce the Group's highly indebted position and enhance its liquidity, the Company completed the 2018 Disposal (as defined in the section headed "DEFINITIONS" of this circular) on 30 September 2019. Upon completion of the 2018 Disposal in September 2019, (1) the Group has received cash payments of RMB200 million from Asia Pacific Resources and has applied such sum to repay debts owed to certain financial institutions of approximately RMB24.73 million, to repay debt interest of approximately RMB109.58 million and to repay construction payable, operation and maintenance payables and land tax with aggregate amount of approximately RMB65.69 million; (2) the Group has already entered into a loan assignment agreement dated 4 October 2019 among the Group, Sino Alliance and Asia Pacific Resources, pursuant to which Asia Pacific Resources has assumed 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, the Company has received a waiver and commitment deed from Peace Link, pursuant to which Peace Link has agreed to waive the repayment and redemption obligation of the Company with a principal balance of HK$1,948 million (equivalent to the pre-agreed rate of exchange of RMB1,546 million) out of HK$2,148 million under the Third CB with a maturity date of 15 April 2024. The Waiver of Third CB had become effective since 14 October 2019.

Although the completion of the 2018 Disposal has started reducing the Group's highly indebted position and finance costs, it can only strengthen the Group's liquidity in the long term, and it is insufficient for the Group to meet with its immediate financing needs. Therefore, the Group continues to implement a series of development plan which comprises, *inter alia*, (i) the 2019 Disposal (as defined below); (ii) the Disposals; (iii) the Possible Disposals of Further Solar Power Plants (as defined below); and (iv) negotiation with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts (collectively, the "**Development Plan**"). Details of the Development Plan are set out in the section headed "Development Plan" below.

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 followings 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 commencing from the date of this circular. However, if any of the following significant uncertainties and matters could not be addressed and do not materialise, it will have a significant 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.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its Development Plan, which may be negatively affected due to the recent outbreak of the novel coronavirus disease ("**COVID-19**"), as described below. Whether the Group will be able to have sufficient working capital for its present operating requirements and for at least the next twelve months commencing from the date of this circular would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfillment of all the following conditions:

(i) collecting the Consideration (as defined below), Dividend Payments (as defined below) and 2019 Relevant Payables (as defined below) in respect of the 2019 Disposal in accordance with the amount and timing expected by the Company during the year ending 31 December 2020;

(ii) completing the Disposals and collecting the proceeds in accordance with the amount and timing expected by the Company during the year ending 31 December 2020;

(iii) sourcing buyer and completing the Possible Disposals of Further Solar Power Plants (as defined below) during the year ending 31 December 2020 in order to collect the proceeds in accordance with the terms and condition, amount and timing expected by the Company;

(iv) convincing its creditors (lenders of bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment priority or ranking or partial repayment portion to each creditor and allow the Group to further extend to the extent and in accordance with the timetable and milestones of payment of the proceeds from the Group's the 2019 Disposal, the Disposals and the Possible Disposals of Further Solar Power Plants;

(v) obtaining consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the Disposals and the Possible Disposals of Further Solar Power Plants (as defined below);

(vi) convincing banks to agree not to exercise their right to demand for immediate payment in respect of the Group's borrowings that had breached certain financial covenants;

(vii) convincing banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured and which will be matured within twelve months after the date of this circular, to further delay the loan repayment schedule; and

(viii) securing other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) and on the basis that the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group as to enable the Group to have adequate time and adequate working capital to obtain proceeds from the 2019 Disposal, the Disposals and the possible consideration of the Possible Disposals of Further Solar Power Plants during the year ending 31 December 2020 and to repay the matured and maturing debts from time to time.

Should the Group fail to achieve the abovementioned Development Plan, it might not be able to have sufficient working capital for its present operating requirements, which will further impose adverse impact to the sufficiency of the Group.

Development Plan

The 2019 Disposal, the Disposals and the Possible Disposals of Further Solar Power Plants

On 15 November 2019, the Company had entered into 11 sale and purchase agreements with the Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) ("**ZSEC**"), an independent third party, pursuant to which the Company has conditionally agreed to sell, and ZSEC has conditionally agreed to purchase each of equity interest in i) Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司) ("**Hami Hengxin**"), ii) Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司) ("**Hami Junxin**"), iii) Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司) ("**Hami Tianhong**"), iv) Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司) ("**Hami Yixin**"), v) Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司) ("**Hebei Guowei**"), vi) Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司) ("**Jinchang Zhongke**"), vii) Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司) ("**Pingluo Zhongdianke**"), viii) Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德(哈密)太陽能發電有限公司) ("**Shangde (Hami)**"), ix) Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司) ("**Sunan Yugur**"), x) Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) ("**Wuwei Jiuyuan**") and xi) Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司) ("**Wuwei Huadong**"), (collectively referred to as the "**2019 Subject Companies**" and each referred to as a "**2019 Subject Company**") (the "**2019 Disposal**"). The proceeds arising from of the 2019 Disposal were estimated to be RMB1,466,566,000, comprising the following:

1) the cash consideration of RMB641,420,000 (the "**Consideration**"), to be payable by ZSEC to the Group in four to five tranches. The timing of repayment of the Consideration is subject to the satisfaction of certain conditions, details of which are set out in the circular published on 29 December 2019 relating to the 2019 Disposal;

* *The English names are for identification purpose only and the official names of these entities are in Chinese.*

2) the dividends payable of RMB196,848,000, which represents the undistributed profits up to 30 June 2019 declared in August 2019 in respect of the certain of the 2019 Subject Companies including Hebei Guowei, Jinchang Zhongke, Pingluo Zhongdianke, Shangde (Hami) and Sunan Yugur (the "**Dividends Payment**"), shall be payable by certain of the 2019 Subject Companies to the Group in two tranches, of which timing of payment to the Group are conditional to the completion of certain conditions as stipulated in the relevant sale and purchase agreements, details of which are set out in the circular published on 29 December 2019 relating to the 2019 Disposal; and

3) relevant payables representing the relevant amount payable by each of the relevant 2019 Subject Companies to the Group in two to three tranches, of which the timing and amount of payment to the Group are conditional to the completion of the disposal and certain conditions and are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor of the relevant 2019 Subject Companies as stipulated in the relevant sale and purchase agreements (the "**2019 Relevant Payables**"), details of which are set out in the circular published on 29 December 2019 relating to the 2019 Disposal. The management of the Group assessed that the 2019 Relevant Payables amounted to RMB628,298,000 as at 31 December 2019.

In addition to the 2019 Disposal mentioned above, the Company is seeking the possibility to dispose of the further solar power plants. Having considered various potential buyers who expressed interests, the Company has finally decided that entering into the Disposals with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) (the "**Purchaser**"), which will be the most beneficial to the interest of the Company and the Shareholders as a whole, details of which are set out in the section headed "Reasons for and Benefits of Disposals" in the "Letter from the Board" of this circular.

Assuming the conditions precedent in relation to 2019 Disposal and the Disposals have all been satisfied, such disposals will generate an immediate cash inflow of approximately RMB1,467 million and RMB456 million (net of the Changzhou Payables (as defined in the section headed DEFINITIONS in this circular) of total RMB13 million), respectively, which would help the Group repay partially its debts that have been overdue or will become due in the next twelve months from the day of this Circular according to the use of proceeds in the section headed "Use of Proceeds". Apart from the 2019 Disposal and the Disposals, according to the Group's funding requirement and working capital conditions, the Group intends to further dispose of its solar power plants which are located in the PRC, on similar terms and conditions as the 2019 Disposal and the Disposals, which may include the discount arising from lack of marketability, conditions precedent, timing and progress payments by tranches (the "**Possible Disposals of Further Solar Power Plants**"). In particular, the Company is initiating discussions and negotiations with more than one potential buyers in respect

* *The English names are for identification purpose only and the official names of these entities are in Chinese.*

of the Possible Disposals of Further Solar Power Plants. The Company is at a preliminary discussion stage with the potential purchaser regarding the details of the Possible Disposals of Further Solar Power Plants and the relevant preliminary due diligence steps by the potential purchaser have just commenced. As at the Latest Practicable Date, no arrangements or agreements in relation to the terms of the Possible Disposals of Further Solar Power Plants, whether formal or informal, have been reached by the Company with the purchaser or any other potential buyer(s).

The Board will continue to exert its best effort to explore other means to improve its indebted position, including but not limited to extending the due dates of the relevant debts as described in the following paragraph, exploring additional financings from financial institutions or other entities (including the shareholders) and other possible options for equity financings as and when appropriate.

The sales proceed from the 2019 Disposal is the source of funds to repay a number of debts owed by the Group which has been matured as at 31 December 2019 or to be matured in the near future. Accordingly, the Group has closely monitored the progress and attempted all possible means to smooth the completion, with a view to collecting the sales proceed in an orderly and timely manner.

Up to the Latest Practicable Date, the disposals of each of the 2019 Subject Companies have been completed and partial amount of the Consideration, in respect of the disposal of Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Shangde (Hami), Pingluo Zhongdianke, Hebei Guowei, Jinchang Zhongke, Wuwei Huadong and Wuwei Jiuyuan has been paid by ZSEC into the escrow account or bank accounts held by the Group.

In respect of the collection of sales proceed, apart from the successful completion of the share transfer of the equity interests of all of the 2019 Subject Companies to ZSEC, in accordance with the relevant share transfer agreements with the relevant 2019 Subject Companies, the timing of payment of Consideration, to be payable by ZSEC in four to five tranches, and Dividends Payment, to be payable by the certain of the 2019 Subject Companies in two tranches, and the timing and amount of payment of 2019 Relevant Payables, to be payable by the relevant 2019 Subject Companies in two to three tranches, are also subject to the completion of (i) the transitional period audit to be performed by the local auditor in the PRC engaged by ZSEC and (ii) certain remedial steps to be taken by the Group.

The fact is, due to the outbreak of COVID-19, travel restriction, quarantine measures and business suspension policy has been largely adopted and implemented by the PRC government since early February 2020, the completion of transitional period audit and certain remedial steps has been inevitably postponed. The transitional period audit and certain remedial steps have been commenced and progressed positively, up to the Latest Practicable Date, transitional period audit of 7 entities have been completed while the management expects such of the remaining 4 entities can be completed in June 2020. In addition, the management expects the remedial steps for all of the 2019 Subject Companies will be all substantially completed during June 2020.

Accordingly, the management of the Group expects that a substantial amount of the Consideration, Dividends Payment and 2019 Relevant Payables will be received during June and July 2020.

Extension of due dates of the relevant debts and/or alternative refinancing

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

a) Liaising with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date.

i) Sino Alliance

Another supplementary agreement entered into among the Group, Asia Pacific Resources and Mr. Cheng and Sino Alliance dated 28 June 2019 to further extend the due dates, pursuant to which the outstanding principal balance of HK$1,300 million is required to be settled in two instalments, including: (i) HK$500 million or 50% of consideration for the 2019 Disposal, whichever is higher, to be extended to 31 December 2019 or 30 business days after completion of the 2019 Disposal, whichever is earlier; and (ii) the remaining balances to be settled on 31 December 2020 or 30 business days after completion of the Group's other disposals of solar power plants (including the Disposals and Possible Disposals of Further Solar Power Plants), if any and whichever is earlier.

However, up to the Latest Practicable Date, the first instalment of Sino Alliance has been overdue.

Due to the outbreak of COVID-19 and associated travel restriction, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020, which has caused an adverse impact on the expected timeline of the collection of sales proceeds in connection with the 2019 Disposal. As a result, the Company has started negotiating with Sino Alliance in relation to the borrowing which had been matured, kept them informed of the update on the sales proceeds and has sought further extension.

After rounds of discussion between the management of the Company and Sino Alliance, as of the Latest Practicable Date, the management of Sino Alliance has been aware of the progress and details of the Development Plan and that the Company will repay the first instalment borrowings and the interest accrued with the proceeds received from the 2019 Disposal while the remaining balance of HK$800 million with the accrued interest will be settled by the sales proceeds from the Disposals and the possible consideration from the Possible Disposals of Further Solar Power Plants.

ii) China Minsheng Banking Corp., Ltd Hong Kong Branch ("**CMBC-HK**")*

Another supplementary agreement entered into between the Group and CMBC-HK dated 31 October 2019 to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its entire 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HK$980 million by instalments, including:

(a) amount an amount of HK$320 million to be extended to 31 December 2019 or expiry of 15 business days of receipt by the Group of the consideration of 2019 Disposal, whichever is earlier (which is determined as the higher of amount of HK$200 million, 20% of the consideration for the 2019 Disposal or the sales capacity of the 2019 Disposal divided by 1,500 megawatts and multiplied by HK$980 million);

(b) the higher of the amount of HK$280 million and 20% of the consideration for the other disposals of solar power plants (including the Disposals and Possible Disposals of Further Solar Power Plants) on or before 15 July 2020 or the sales capacity as of the Possible Disposals of Further Solar Power Plants on or before 15 July 2020 divided by 1,500 megawatts and multiplied by HK$980 million, to be extended to 15 July 2020; and

(c) the remaining balance to be extended to 18 December 2020.

Up to the Latest Practicable Date, the first instalment of CMBC-HK in (a) above has been overdue.

Due to the outbreak of COVID-19 and associated travel restriction, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020, which has caused an adverse impact on the expected timeline of the collection of sales proceeds in connection with the 2019 Disposal. As a result, the Company has started negotiating with the CMBC-HK in relation to the borrowing which had been matured, kept them informed of the update on the sales proceeds and has sought further extension.

After rounds of discussion between the management of the Company and CMBC-HK, as of the Latest Practicable Date, the management of CMBC-HK has been aware of the progress and details of the Development Plan that the Company will repay the overdue principal amount of HK$200 million and the interest accrued with the sales proceeds from the 2019 Disposal and the balance of loan amount of HK$780 million, together with the accrued interest will be settled by the sales proceeds from the Disposals and the possible consideration from the Possible Disposals of Further Solar Power Plants.

iii) Up to the Latest Practicable Date, the borrowings from Chongqing International Trust Co., Ltd.* (重慶國際信託股份有限公司) ("**Chongqing Trust**") with an outstanding principal balance of RMB666 million had been matured on 29 September 2019.

Another supplementary agreement was entered into between the Group and Chongqing Trust dated 23 December 2019 to further extend the due date to 30 September 2020, with the terms remain unchanged. The principal amount of RMB666 million and the interest accrued will be settled by the sales proceeds from the possible consideration from the Possible Disposals of Further Solar Power Plants. The Company will consider seeking if further extension of the loan is needed in due course.

iv) Up to the Latest Practicable Date, the corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**") with an outstanding principal balance of RMB550 million had been matured on 9 November 2019.

Based on the recent negotiation with the holders of the 2015 Corporate Bond, the holders have expressed their intention to agree to extend the due date to 31 March 2020 with following conditions:

(a) the Group should repay the unpaid interest up to 10 November 2019 amounting to approximately RMB42.9 million once the Group receives the first tranche of Consideration for 2019 Disposal amounting to approximately RMB64.1 million;

(b) the outstanding principal balance of RMB550 million carries at the original fixed interest rate of 7.8% per annum during the extension period; and

(c) the Group should give priority to use the net proceeds from 2019 Disposal to repay the outstanding principal balance of RMB550 million together with the unpaid interest for the extension period.

Due to the outbreak of COVID-19 and associated travel restriction, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020, which has caused an adverse impact on the expected timeline of the collection of sales proceeds in connection with the 2019 Disposal. As a result, the Company has started negotiating with these bondholders of the 2015

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Corporate Bond in relation to the borrowings which had been matured, kept them informed of the update on the sales proceeds and has sought further extension.

Up to the Latest Practicable Date, the Company has not received any litigation letter from these bondholders of the 2015 Corporate Bond. The bondholders of the 2015 Corporate Bond are aware that the Company will repay the overdue principal amount of RMB550 million and the accrued interest on the date that the sales proceeds from 2019 Disposal and the Disposals.

v) Up to the Latest Practicable Date, the corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**") with an outstanding principal balance of RMB275,463,000 had been due on 25 April 2020 and the Group has entered into an extension agreement dated 25 April 2020 with the bondholder to conditionally extend the due date to the time that a sufficient amount of Consideration received by the Group from the 2019 Disposal or 25 October 2020, whichever is earlier.

vi) As set out in note 46 to the Group's financial statement contained in the 2019 annual report published on 15 May 2020, the 19 bondholders of the Fourth CB (as defined as Bondholders A) have entered into an extension agreement with the Group and agreed to extend the unpaid principal of totalling HK$564,250,000 (equivalent to RMB515,555,000) with an annual interest rate of 4.0% to 20 December 2019, and all the rights under the original terms and conditions in relation to the Fourth CB to 19 bondholders have been waived and since then the outstanding principal balances were recorded as "other borrowings" by the Company.

On 20 December 2019, a total principal balance of HK$564,250,000 (equivalent to RMB515,555,000) had been matured, the Group has entered into certain supplementary agreements with certain Bondholder A of the Fourth CB to further extend the due date of total outstanding principal amount of HK$534,250,000 (equivalent to RMB488,144,000) to 25 March 2020, while the remaining outstanding principal amount of HK$30,000,000 (equivalent to RMB27,411,000) had been overdue as at 31 December 2019. Total amount of HK$19,000,000 (equivalent to RMB17,360,000) has been settled in cash subsequent to the due date and up to the Latest Practicable Date.

Total outstanding principal amount of HK$545,250,000 (equivalent to RMB498,195,000) was due on the Latest Practicable Date.

Due to the outbreak of COVID-19 and associated travel restriction, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020, which has caused an adverse impact on the expected timeline of the collection of sales proceeds in connection with the 2019 Disposal. Up to the Latest Practicable Date, the management of the Group has received confirmations in the form of written document or emails from 16 bondholders A and obtained oral consent from 1 bondholders A of the Fourth CB, agreeing to further extend the due date to 30 June 2020 upon payment received from the 2019 Disposal.

vii) The borrowing balance of HK$189,690,000 previously converted from the Fifth CB subscribed by True Bold Global Limited ("**True Bold**") upon maturity in 2017 was scheduled to be settled in the following way, according to the amendment agreement dated 29 June 2018:

(a) an amount of HK$54,690,000 will be repaid before the year ended 31 December 2018; and

(b) an amount of HK$135,000,000 will be repaid before the year ended 31 December 2019.

Such balance was secured and unguaranteed, carrying a fixed interest rate of 10% per annum.

The balance of HK$189,690,000 has matured as at 31 December 2019.

Due to the outbreak of COVID-19 and associated travel restriction, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020, which has caused an adverse impact on the expected timeline of the collection of sales proceeds in connection with the 2019 Disposal. As a result, the Company has started negotiating with True Bold in relation to the borrowing which had been matured, kept them informed of the update on the sales proceeds and has sought further extension.

Upon rounds of discussion between the management of the Company and True Bold, as of the date of this Circular, the management of True Bold has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings and the accrued interest with the proceeds received from the 2019 Disposal and they also stand for the Development Plan proposed by the management of the Company.

viii) In respect of the borrowing from JIC Trust Co., Ltd* (中建投信託有限公司) ("**JIC**"), an independent financial institution, of principal balance of RMB490,000,000 which had been matured on 16 August 2019. JIC lodged litigation against the Group during the year ended 31 December 2019 and subsequently, the Group received the first-instance judgement from Zhejiang High Court in January 2020, requesting the Group to repay the outstanding loan principal of RMB490,000,000, interest payable of RMB97,066,000 and penalty interest payable of

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RMB37,146,000, totalling RMB624,212,000 immediately. Since the equity interest of the Group's subsidiary which owns and operates the solar power plant has been pledged to JIC, the management of the Group expects to repay the outstanding loan principal, related interest payable and penalty interest payable by the sales proceeds from the possible consideration from the Possible Disposals of Further Solar Power Plants in the near future.

ix) Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB165,492,000 have been overdue on the Latest Practicable Date but have no settlement plan/further extension plan yet been finalised.

The management of the Group assessed that RMB122,008,000 out of total overdue balance of RMB165,492,000 on the Latest Practicable Date were held by the Target Companies as well as by the remaining subsidiaries holding the solar power plants in the PRC, the bank and other borrowings held by these entities is expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of the Disposals.

Since there is no detailed repayment priority or ranking or partial repayment portion of each creditor specified in the Group's relevant arrangements with creditors as stated above regarding how the Group may apply proceeds from the 2019 Disposal, the Disposals and Possible Disposals of Further Solar Power Plants, if any, the management of the Group has assumed the repayment to the lenders at its best estimate. In addition, given that (i) the extension of loans obtained by the Group up to the Latest Practicable Date, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors which is not yet committed up to the Latest Practicable Date, both of which are mostly short-term, and (ii) the exact timing of the completion of, and the collection of proceeds from, the 2019 Disposal, the Disposals and Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the directors of the Company is of the view that the actual timing of collection of the relevant proceeds from the 2019 Disposal, the Disposals and Possible Disposals of Further Solar Power Plants may not match with the Group's current agreements or settlement arrangements with its creditors. Therefore, the Group must use its best endeavour to re-negotiate with its creditors on a continuous basis to further revise/extend the repayment timing beyond the period currently agreed by the Group's creditors, or to make payment in an amount which is less than that as expected by its creditors, in order to enable the Group to effect the collection and application of disposal proceeds in an orderly manner for the repayment of loans in the next twelve months from the end of the date of this circular. If the creditors do not agree with the settlement plan/further extension plan as planned by the management of the Group, the Group will not have sufficient working capital for the next twelve months from the date of this circular.

Save as the above, the management of the Group is still positive that upon partial repayment of the loan principal and/or outstanding interest by the proceeds received from the 2019 Disposal, the Disposals and when the plan for the Possible Disposals of Further Solar Power Plants becomes solid, a portion of the Group's overdue bank and other borrowings can be successfully renewed and/or extended in view of the Group's historical successful experiences in refinancing expiring debts. The management of the Group expects these overdue bank and other borrowings can be further extended to the extent and in accordance with the timetable and milestones of payment of the proceeds arising from 2019 Disposal, the Disposals and the possible consideration from Possible Disposals of Further Solar Power Plants that the Group could have received;

b) Liaising 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 RMB514,066,000 up to the Latest Practicable Date. The management of the Group is confident that these banks will not demand for immediate repayment based on its negotiations with these banks; and

c) In addition, as part of the remedial plan, the Group has been negotiating with banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured on the Latest Practicable Date which will be matured within 12 months after the date of this circular, requesting to further delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders), in order to enable the Group to have adequate time and adequate working capital to obtain proceed from 2019 Disposal and Disposals and the possible considerations of the Possible Disposals of Further Solar Power Plants that might require to repay the matured and maturing debts from time to time.

Set out below are the unaudited historical financial information of the Target Companies, which comprise the unaudited condensed statements of financial position of each of the Target Companies as at 31 December 2017, 2018 and 2019 and the unaudited condensed statements of profit or loss and other comprehensive income, unaudited condensed statements of changes in equity and unaudited condensed statements of cash flows of each of the Target Companies (as defined in the section "DEFINITIONS" of the circular) for each of the years ended 31 December 2017, 2018 and 2019, and certain explanatory notes (the "Historical Financial Information of the Target Companies"). The Historical Financial Information of the Target Companies has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed disposal of the Target Companies (the "Disposals") 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 are responsible for the preparation of the Historical Financial Information of the Target Companies in accordance with the basis of preparation set out in note 2 to the Historical Financial Information of the Target Companies and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rule. The Historical Financial Information of the Target Companies has been extracted from the unaudited historical financial information of each of the Target Companies for each of the years ended 31 December 2017, 2018 and 2019, for which the auditor of the Company, Deloitte Touche Tohmatsu, has issued review reports with disclaimer of conclusion reported.

The auditor was engaged to review the Historical Financial Information of the Target Companies 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 the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. However, because of the matter described in the Basis for Disclaimer of Conclusion section below, the auditor was not able to form a conclusion on the Historical Financial Information of the Target Companies.

BASIS FOR DISCLAIMER OF CONCLUSION

Multiple Uncertainties Relating to Going Concern

As set out in note 2 to the Historical Financial Information of the Target Companies, as of 31 December 2019, each of the Target Companies' current liabilities exceeded its current assets.

In respect of the amount due to the Remaining Group as at 31 December 2019, the Remaining Group has agreed not to demand repayment from each of the Target Companies unless it is financially sound to do so or up to the completion date of the Disposals, whichever is earlier, and the Company, Mr. Cheng Kin Ming ("Mr. Cheng"), a substantial shareholder of the Company, and Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources"), an entity which was 100% owned and controlled by Mr. Cheng, agreed to provide adequate funds enabling each of the Target Companies to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of the Historical Financial Information of the Target Companies or up to the completion date of the Disposals, whichever is shorter.

After the completion of the Disposals, each of the Target Companies shall repay the amount due to the Remaining Group in accordance with the repayment schedule as stated in the relevant sale and purchase agreement. In the event that each of the Target Companies is unable to settle the outstanding amount due to the Remaining Group, the Purchaser shall be responsible for paying the remaining amounts. Having reviewed the public information available in respect of the Purchaser and its parent (including those as disclosed in the section headed "Information on the Purchaser" in the circular to be issued by the Company in connection with the proposed disposal of the Target Companies), the Directors considered that each of the Target Companies, failing which the Purchaser, should be financially capable to settle the outstanding amount due to the Remaining Group after the completion of the Disposals.

The Historical Financial Information of the Target Companies has been prepared on a going concern basis, the validity of which depends on the successful fulfillment of the following conditions, which are subject to multiple uncertainties:

- whether Mr. Cheng and Asia Pacific Resources are financially viable to provide adequate funds enabling each of the Target Companies to meet in full their financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this report or up to the completion date of the Disposals, whichever is shorter;

- in the event that the Disposals is completed, whether the Purchaser will provide financial support to each of the Target Companies should they require additional funding from the Purchaser to meet in full their financial obligations as and when they fall due for the post disposal period up to end of twelve months after the date of issue of this report; and

- whether the management of each of the Target Companies is able to convince the relevant bank not to demand for repayment in respect of each of the Target Companies' overdue bank borrowings until they are financially capable to do so, either having adequate fund generated from their operations or from their shareholders.

Should any of the above conditions is not fulfilled, each of the Target Companies might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of each of the Target Companies' assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the Historical Financial Information of the Target Companies.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of the auditor's reports, the auditor was not able to form a conclusion on the Historical Financial Information of the Target Companies.

AKESU DATANG NEW ENERGY LIMITED* (阿克蘇大唐新能源有限公司) ("AKESU DATANG")

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	16,665	18,333	19,496
Cost of sales	(12,918)	(11,333)	(11,446)
Gross profit	3,747	7,000	8,050
Other income	3	437	719
Other gains and losses	(186)	(8)	(15,581)
Impairment losses under expected credit loss model, net of reversal	—	(15)	(9)
Administrative expenses	(1,095)	(1,179)	(1,172)
Finance costs	(6,580)	(6,922)	(6,409)
Loss before tax	(4,111)	(687)	(14,402)
Income tax expense	—	—	—
Loss for the year	(4,111)	(687)	(14,402)
Total comprehensive expense for the year	(4,111)	(687)	(14,402)

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AKESU DATANG
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	120	55	23
Solar power plants	151,596	143,021	119,534
Prepaid lease payments — non-current	5,468	5,166	—
Right-of-use assets	—	—	5,134
Other non-current assets	825	1,301	509
Value-added tax recoverable — non-current	7,482	4,339	2,175
	165,491	153,882	127,375
Current assets			
Trade and other receivables	17,272	29,745	35,525
Prepaid lease payments — current	302	302	—
Value-added tax recoverable — current	2,843	3,094	2,745
Restricted bank deposits	10	10	1,076
Bank balances and cash	16	9	2
	20,443	33,160	39,348

AKESU DATANG
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	24,176	26,990	21,074
Amount due to the Remaining Group	58,660	58,397	55,723
Lease liabilities	—	—	4,848
Bank borrowing	—	4,350	21,748
	82,836	89,737	103,393
Net current liabilities	(62,393)	(56,577)	(64,045)
Total assets less current liabilities	103,098	97,305	63,330
Capitals and reserves			
Paid-in capital	10,000	10,000	10,000
Reserves	33,840	32,397	17,995
Total equity	43,840	42,397	27,995
Non-current liability			
Bank borrowing	59,258	54,908	35,335
	103,098	97,305	63,330

AKESU DATANG
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	**10,000**	**39,000**	**(1,049)**	**47,951**
Loss and total comprehensive expense for the year	—	—	(4,111)	(4,111)
At 31 December 2017	**10,000**	**39,000**	**(5,160)**	**43,840**
Adjustments *(note)*	—	—	(756)	(756)
At 1 January 2018 (restated)	**10,000**	**39,000**	**(5,916)**	**43,084**
Loss and total comprehensive expense for the year	—	—	(687)	(687)
At 31 December 2018	**10,000**	**39,000**	**(6,603)**	**42,397**
Loss and total comprehensive expense for the year	—	—	(14,402)	(14,402)
At 31 December 2019	**10,000**	**39,000**	**(21,005)**	**27,995**

Note:

As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the accumulated losses as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

AKESU DATANG
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	22,130	7,950	16,976
Investing activities			
Placement of restricted bank deposits	—	—	(1,066)
Interest income received	3	—	—
Payment for construction cost in respect of solar power plants	(1,712)	(1,049)	(5,228)
Net cash used in investing activities	(1,709)	(1,049)	(6,294)
Financing activities			
Repayment of lease liabilities	—	—	(1,200)
Advance from the Remaining Group	5,889	3,146	2,828
Repayment to the Remaining Group	(27,124)	(10,054)	(12,317)
Net cash used in financing activities	(21,235)	(6,908)	(10,689)
Net decrease in cash and cash equivalents	(814)	(7)	(7)
Cash and cash equivalents at beginning of the year	830	16	9
Cash and cash equivalents at end of the year, represented by bank balances and cash	16	9	2

YUEPUHU GAOKE NEW ENERGY ELECTRICITY GENERATING CO., LTD.* (岳普湖高科新能源發電有限公司) ("YUEPUHU GAOKE")

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	14,333	15,911	17,272
Cost of sales	(12,579)	(12,715)	(11,867)
Gross profit	1,754	3,196	5,405
Other income	—	390	634
Other gains and losses	—	—	(5,148)
Impairment losses under expected credit loss model, net of reversal	—	(13)	(8)
Administrative expenses	(16)	(37)	(84)
Finance costs	(8,289)	(8,527)	(8,387)
Loss before tax	(6,551)	(4,991)	(7,588)
Income tax expense	—	—	—
Loss for the year	(6,551)	(4,991)	(7,588)
Total comprehensive expense for the year	(6,551)	(4,991)	(7,588)

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YUEPUHU GAOKE
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	45	11	10
Solar power plants	170,467	160,734	145,878
Prepaid lease payments — non-current	661	620	—
Right-of-use assets	—	—	619
Other non-current assets	—	560	581
Value-added tax recoverable — non-current	5,676	3,072	1,105
	176,849	164,997	148,193
Current assets			
Trade and other receivables	15,289	25,756	31,075
Prepaid lease payments — current	41	41	—
Value-added tax recoverable — current	2,437	2,677	2,425
Restricted bank deposits	10	10	10
Bank balances and cash	9	9	5
	17,786	28,493	33,515

YUEPUHU GAOKE
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	13,071	16,536	17,671
Amount due to the Remaining Group	61,728	54,785	52,494
Bank borrowing	—	6,077	30,384
	74,799	77,398	100,549
Net current liabilities	(57,013)	(48,905)	(67,034)
Total assets less current liabilities	119,836	116,092	81,159
Capitals and reserves			
Paid-in capital	2,000	10,000	10,000
Reserves	35,049	29,382	21,794
Total equity	37,049	39,382	31,794
Non-current liability			
Bank borrowing	82,787	76,710	49,365
	119,836	116,092	81,159

YUEPUHU GAOKE
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000* (Unaudited)	Other reserve *RMB'000* (Unaudited)	Accumulated losses *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 January 2017	**2,000**	**48,000**	**(6,400)**	**43,600**
Loss and total comprehensive expense for the year	—	—	(6,551)	(6,551)
At 31 December 2017	**2,000**	**48,000**	**(12,951)**	**37,049**
Adjustments *(note)*	—	—	(676)	(676)
At 1 January 2018 (restated)	**2,000**	**48,000**	**(13,627)**	**36,373**
Loss and total comprehensive expense for the year	—	—	(4,991)	(4,991)
Capital injection from a shareholder	8,000	—	—	8,000
At 31 December 2018	**10,000**	**48,000**	**(18,618)**	**39,382**
Loss and total comprehensive expense for the year	—	—	(7,588)	(7,588)
At 31 December 2019	**10,000**	**48,000**	**(26,206)**	**31,794**

Note:

As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the accumulated losses as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

YUEPUHU GAOKE
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	23,651	7,040	11,606
Cash used in an investing activity			
Payment for construction cost in respect of solar power plants	(602)	(70)	(76)
Financing activities			
Capital injection from a shareholder	—	8,000	—
Advance from the Remaining Group	1,274	980	463
Repayment to the Remaining Group	(24,320)	(15,950)	(11,997)
Net cash used in financing activities	(23,046)	(6,970)	(11,534)
Net increase (decrease) in cash and cash equivalents	3	—	(4)
Cash and cash equivalents at beginning of the year	6	9	9
Cash and cash equivalents at end of the year, represented by bank balances and cash	9	9	5

HESHUO HENGXIN NEW ENERGY TECHNOLOGY CO., LTD.* (和碩恒鑫新能源科技有限公司) ("HESHUO HENGXIN")
UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	26,671	32,812	33,382
Cost of sales	(16,820)	(17,569)	(16,532)
Gross profit	9,851	15,243	16,850
Other income	2	707	1,243
Other gains and losses	(255)	(21)	(3)
Impairment losses under expected credit loss model, net of reversal	—	(27)	(18)
Administrative expenses	(33)	(125)	(29)
Finance costs	(11,915)	(11,908)	(11,797)
(Loss) profit before tax	(2,350)	3,869	6,246
Income tax expense	—	—	—
(Loss) profit for the year	(2,350)	3,869	6,246
Total comprehensive (expense) income for the year	(2,350)	3,869	6,246

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

HESHUO HENGXIN
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	41	8	8
Solar power plants	226,256	213,249	206,776
Prepaid lease payments — non-current	18,836	16,227	—
Right-of-use assets	—	—	16,160
Other non-current assets	1	540	633
Value-added tax recoverable — non-current	5,893	—	—
	251,027	230,024	223,577
Current assets			
Trade and other receivables	27,775	51,526	63,264
Prepaid lease payments — current	257	1,020	—
Value-added tax recoverable — current	4,535	5,124	853
Restricted bank deposits	10	10	10
Bank balances and cash	8	7	6
	32,585	57,687	64,133

HESHUO HENGXIN
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	31,435	22,250	17,762
Amount due to the Remaining Group	28,182	38,821	41,926
Bank borrowing	—	9,729	48,647
	59,617	70,800	108,335
Net current liabilities	(27,032)	(13,113)	(44,202)
Total assets less current liabilities	223,995	216,911	179,375
Capitals and reserves			
Paid-in capital	100	100	100
Reserves	91,348	93,993	100,239
Total equity	91,448	94,093	100,339
Non-current liability			
Bank borrowing	132,547	122,818	79,036
	223,995	216,911	179,375

HESHUO HENGXIN
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	**100**	**82,900**	**10,798**	**93,798**
Loss and total comprehensive expense for the year	—	—	(2,350)	(2,350)
At 31 December 2017	**100**	**82,900**	**8,448**	**91,448**
Adjustments *(note)*	—	—	(1,224)	(1,224)
At 1 January 2018 (restated)	**100**	**82,900**	**7,224**	**90,224**
Profit and total comprehensive income for the year	—	—	3,869	3,869
At 31 December 2018	**100**	**82,900**	**11,093**	**94,093**
Profit and total comprehensive income for the year	—	—	6,246	6,246
At 31 December 2019	**100**	**82,900**	**17,339**	**100,339**

Note:

As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the retained earnings as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

HESHUO HENGXIN
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	43,268	17,756	27,532
Investing activities			
Interest income received	2	—	—
Payments of prepaid lease payment	(2,745)	(12,658)	—
Payment for construction cost in respect of solar power plants	(310)	(786)	(537)
Net cash used in investing activities	(3,053)	(13,444)	(537)
Financing activities			
Repayment of lease liabilities	—	—	(2,597)
Advance from the Remaining Group	7,248	12,705	2,955
Repayment to the Remaining Group	(47,457)	(17,018)	(27,354)
Net cash used in financing activities	(40,209)	(4,313)	(26,996)
Net increase (decrease) in cash and cash equivalents	6	(1)	(1)
Cash and cash equivalents at beginning of the year	2	8	7
Cash and cash equivalents at end of the year, represented by bank balances and cash	8	7	6

TULUFAN LIANXING NEW ENERGY LIMITED* (吐魯番聯星新能源有限公司) ("TULUFAN LIANXING")
UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	16,663	20,297	19,345
Cost of sales	(12,175)	(11,851)	(12,011)
Gross profit	4,488	8,446	7,334
Other income	—	442	776
Other gains and losses	—	—	(2,624)
Impairment losses under expected credit loss model, net of reversal	—	(17)	(10)
Administrative expenses	(15)	(39)	(1,072)
Finance costs	(9,465)	(9,479)	(8,915)
Loss before tax	(4,992)	(647)	(4,511)
Income tax expense	—	—	—
Loss for the year	(4,992)	(647)	(4,511)
Total comprehensive expense for the year	(4,992)	(647)	(4,511)

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

TULUFAN LIANXING
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	50	13	169
Solar power plants	172,510	162,647	150,664
Prepaid lease payments — non-current	6,912	6,501	—
Right-of-use assets	—	—	6,475
Other non-current assets	8	—	31
Value-added tax recoverable — non-current	4,910	1,040	—
	184,390	170,201	157,339
Current assets			
Trade and other receivables	17,691	32,552	39,110
Prepaid lease payments — current	411	411	—
Value-added tax recoverable — current	2,834	3,435	1,748
Restricted bank deposits	10	10	10
Bank balances and cash	7	10	7
	20,953	36,418	40,875

TULUFAN LIANXING
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	8,776	10,889	14,997
Amount due to the Remaining Group	53,802	54,378	29,999
Bank borrowing	—	7,249	36,242
	62,578	72,516	81,238
Net current liabilities	(41,625)	(36,098)	(40,363)
Total assets less current liabilities	142,765	134,103	116,976
Capitals and reserves			
Paid-in capital	5,000	5,000	5,000
Reserves	39,018	37,605	53,094
Total equity	44,018	42,605	58,094
Non-current liability			
Bank borrowing	98,747	91,498	58,882
	142,765	134,103	116,976

TULUFAN LIANXING
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	**5,000**	**47,000**	**(2,990)**	**49,010**
Loss and total comprehensive expense for the year	—	—	(4,992)	(4,992)
At 31 December 2017	**5,000**	**47,000**	**(7,982)**	**44,018**
Adjustments *(note a)*	—	—	(766)	(766)
At 1 January 2018 (restated)	**5,000**	**47,000**	**(8,748)**	**43,252**
Loss and total comprehensive expense for the year	—	—	(647)	(647)
At 31 December 2018	**5,000**	**47,000**	**(9,395)**	**42,605**
Loss and total comprehensive expense for the year	—	—	(4,511)	(4,511)
Capital contribution from a shareholder *(note b)*	—	20,000	—	20,000
At 31 December 2019	**5,000**	**67,000**	**(13,906)**	**58,094**

Notes:

(a) As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the accumulated losses as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

(b) In September 2019, Tulufan Lianxing entered an agreement with the Remaining Group and completed the capitalisation of amount due to the Remaining Group totalling RMB20,000,000.

TULUFAN LIANXING
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	26,160	7,455	16,364
Investing activities			
Purchase of property, plant and equipment	—	(8)	(169)
Payment for construction cost in respect of solar power plants	—	(498)	(692)
Cash used in investing activities	—	(506)	(861)
Financing activities			
Advance from the Remaining Group	694	1,381	766
Repayment to the Remaining Group	(26,852)	(8,327)	(16,272)
Net cash used in financing activities	(26,158)	(6,946)	(15,506)
Net increase (decrease) in cash and cash equivalents	2	3	(3)
Cash and cash equivalents at beginning of the year	5	7	10
Cash and cash equivalents at end of the year, represented by bank balances and cash	7	10	7

WENSU RIYUEHUI NEW ENERGY LIMITED* (溫宿縣日月輝新能源有限公司) ("WENSU RIYUEHUI")

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	16,740	18,228	20,549
Cost of sales	(12,702)	(12,345)	(11,527)
Gross profit	4,038	5,883	9,022
Other income	2	446	727
Impairment losses under expected credit loss model, net of reversal	—	(15)	(10)
Administrative expenses	(17)	(53)	(37)
Finance costs	(8,222)	(8,169)	(7,542)
(Loss) profit before tax	(4,199)	(1,908)	2,160
Income tax expense	—	—	—
(Loss) profit for the year	(4,199)	(1,908)	2,160
Other comprehensive (expense) income:			
Item that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on receivables at fair value through other comprehensive income ("FVTOCI")	—	(15)	15
Total comprehensive (expense) income for the year	(4,199)	(1,923)	2,175

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

WENSU RIYUEHUI
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	45	9	8
Solar power plants	158,155	149,246	138,763
Prepaid lease payments — non-current	1,416	1,333	—
Right-of-use assets	—	—	1,326
Other non-current assets	—	541	618
Value-added tax recoverable — non-current	8,296	5,236	2,763
	167,912	156,365	143,478
Current assets			
Trade and other receivables	20,443	30,045	36,879
Receivables at FVTOCI	—	1,475	500
Prepaid lease payments — current	82	82	—
Value-added tax recoverable — current	2,847	3,084	2,896
Restricted bank deposits	10	10	10
Bank balances and cash	2	157	176
	23,384	34,853	40,461

WENSU RIYUEHUI
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	18,430	20,226	12,376
Amount due to the Remaining Group	48,781	49,588	51,042
Bank borrowing	—	6,116	30,579
	67,211	75,930	93,997
Net current liabilities	(43,827)	(41,077)	(53,536)
Total assets less current liabilities	124,085	115,288	89,942
Capitals and reserves			
Paid-in capital	500	500	500
Reserves	40,267	37,586	39,761
Total equity	40,767	38,086	40,261
Non-current liability			
Bank borrowing	83,318	77,202	49,681
	124,085	115,288	89,942

WENSU RIYUEHUI
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	FVTOCI reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	**500**	**50,500**	**—**	**(6,034)**	**44,966**
Loss and total comprehensive expense for the year	—	—	—	(4,199)	(4,199)
At 31 December 2017	**500**	**50,500**	**—**	**(10,233)**	**40,767**
Adjustments *(note)*	—	—	—	(758)	(758)
At 1 January 2018 (restated)	**500**	**50,500**	**—**	**(10,991)**	**40,009**
Loss for the year	—	—	—	(1,908)	(1,908)
Other comprehensive expense for the year	—	—	(15)	—	(15)
Total comprehensive expense for the year	—	—	(15)	(1,908)	(1,923)
At 31 December 2018	**500**	**50,500**	**(15)**	**(12,899)**	**38,086**
Profit for the year	—	—	—	2,160	2,160
Other comprehensive income for the year	—	—	15	—	15
Total comprehensive income for the year	—	—	15	2,160	2,175
At 31 December 2019	**500**	**50,500**	**—**	**(10,739)**	**40,261**

Note:

As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the accumulated losses as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

WENSU RIYUEHUI
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	21,942	9,876	17,712
Investing activities			
Interest income received	2	8	2
Payment for construction cost in respect of solar power plants	(2,636)	(544)	(9,356)
Net cash used in investing activities	(2,634)	(536)	(9,354)
Financing activities			
Advance from the Remaining Group	3,638	829	467
Repayment to the Remaining Group	(24,824)	(10,014)	(8,806)
Net cash used in financing activities	(21,186)	(9,185)	(8,339)
Net (decrease) increase in cash and cash equivalents	(1,878)	155	19
Cash and cash equivalents at beginning of the year	1,880	2	157
Cash and cash equivalents at end of the year, represented by bank balances and cash	2	157	176

HEJING YIXIN NEW ENERGY TECHNOLOGY CO., LTD.* (和靜益鑫新能源科技有限公司) ("HEJING YIXIN")

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	27,826	25,942	31,788
Cost of sales	(14,945)	(15,046)	(15,302)
Gross profit	12,881	10,896	16,486
Other income	2	743	1,121
Impairment losses under expected credit loss model, net of reversal	—	(24)	(14)
Administrative expenses	(17)	(220)	(155)
Finance costs	(12,731)	(12,828)	(12,434)
Profit (loss) before tax	135	(1,433)	5,004
Income tax expense	—	—	—
Profit (loss) for the year	135	(1,433)	5,004
Total comprehensive income (expense) for the year	135	(1,433)	5,004

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

HEJING YIXIN
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Property, plant and equipment	67	25	13
Solar power plants	253,495	243,590	237,228
Prepaid lease payments — non-current	2,067	1,949	—
Right-of-use assets	—	—	1,870
Other non-current assets	86	86	215
Value-added tax recoverable — non-current	7,810	4,226	102
	263,525	249,876	239,428
Current assets			
Trade and other receivables	29,304	46,233	54,859
Prepaid lease payments — current	47	47	—
Value-added tax recoverable — current	4,732	4,400	4,486
Restricted bank deposits	10	10	10
Bank balances and cash	7	11	7
	34,100	50,701	59,362

HEJING YIXIN
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities			
Trade and other payables	24,502	27,589	22,817
Amount due to the Remaining Group	64,060	66,647	68,962
Bank borrowing	—	8,667	43,333
	88,562	102,903	135,112
Net current liabilities	(54,462)	(52,202)	(75,750)
Total assets less current liabilities	209,063	197,674	163,678
Capitals and reserves			
Paid-in capital	100	100	100
Reserves	90,893	88,171	93,175
Total equity	90,993	88,271	93,275
Non-current liability			
Bank borrowing	118,070	109,403	70,403
	209,063	197,674	163,678

HEJING YIXIN
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	**100**	**81,900**	**8,858**	**90,858**
Profit and total comprehensive income for the year	—	—	135	135
At 31 December 2017	**100**	**81,900**	**8,993**	**90,993**
Adjustments *(note)*	—	—	(1,289)	(1,289)
At 1 January 2018 (restated)	**100**	**81,900**	**7,704**	**89,704**
Loss and total comprehensive expense for the year	—	—	(1,433)	(1,433)
At 31 December 2018	**100**	**81,900**	**6,271**	**88,271**
Profit and total comprehensive income for the year	—	—	5,004	5,004
At 31 December 2019	**100**	**81,900**	**11,275**	**93,275**

Note:

As a result of the initial adoption of International Financial Reporting Standard 15 *Revenue from Contracts with Customer*, which was effective for the accounting period beginning on or after 1 January 2018, the retained earnings as at 1 January 2018 had been restated to reflect the existence of significant financing component on sales of electricity. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

HEJING YIXIN
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities			
Net cash from operating activities	39,778	12,135	28,589
Investing activities			
Interest income received	2	—	—
Payment for construction cost in respect of solar power plants	(4,997)	(4,947)	(2,830)
Net cash used in investing activities	(4,995)	(4,947)	(2,830)
Financing activities			
Interest paid	(1,870)	—	—
Advance from the Remaining Group	6,070	6,641	444
Repayment to the Remaining Group	(40,855)	(13,825)	(26,207)
Net cash used in financing activities	(36,655)	(7,184)	(25,763)
Net (decrease) increase in cash and cash equivalents	(1,872)	4	(4)
Cash and cash equivalents at beginning of the year	1,879	7	11
Cash and cash equivalents at end of the year, represented by bank balances and cash	7	11	7

1. BACKGROUND AND GENERAL INFORMATION

On 16 March 2020, the Vendors (namely, Jiangxi Shunfeng and Shanghai Shunneng, each a wholly owned subsidiary of the Company) entered into 6 Sale and Purchase Agreements with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) (the "Purchaser"), pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the equity interests in the Target Companies respectively held by the Vendors.

The Target Companies are principally engaged in the solar power generation business. Upon the completion of the Disposals, the Company will cease to have control over the Target Companies.

The Historical Financial Information of the Target Companies is presented in Renminbi ("RMB"), which is also the functional currency of each of the Target Companies.

2. GOING CONCERN ASSUMPTION AND BASIS OF PREPARATION

Going concern assumption

The directors of the Company (the "Directors") have given careful consideration to the going concern of each of the Target Companies. As at 31 December 2019, the net current liabilities of each of the Target Companies are as following:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net current liabilities	64,045	67,034	44,202	40,363	53,536	75,750

As at 31 December 2019, the amount due to the Remaining Group by each of the Target Companies, which are recorded as current liabilities, are as following:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amount due to the Remaining Group	55,723	52,494	41,926	29,999	51,042	68,962

In respect of the aforesaid amount due to the Remaining Group, the Remaining Group has agreed not to demand repayment from each of the Target Companies unless it is financially sound to do so during the period prior to actual disposal of these Target Companies or up to the completion date of the Disposals, whichever is earlier. In addition, Mr. Cheng and Asia Pacific Resources, also agreed to provide adequate funds enabling each of the Target Companies to meet in full its financial obligations as

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

and when they fall due for a period of not less than twelve months after the date of the Historical Financial Information of the Target Companies or up to the completion date of the Disposals, whichever is shorter.

After the completion of the Disposals, each of the Target Companies shall repay its own amount due to the Remaining Group in accordance with the repayment schedule as stated in the relevant sale and purchase agreement. In the event that each of the Target Companies is unable to settle the outstanding amount due to the Remaining Group, the Purchaser shall be responsible for paying the remaining amounts. Having reviewed the public information available in respect of the Purchaser and its parent (including those as disclosed in the section headed "Information on the Purchaser" in the circular to be issued by the Company in connection with the proposed disposal of the Target Companies), the Directors considered that each of the Target Companies, failing which the Purchaser, should be financially capable to settle the outstanding amount due to the Remaining Group after the completion of the Disposals.

In addition, each of the Target Companies has bank borrowings overdue as at 31 December 2019 and date of the Historical Financial Information of the Target Companies, details of which are as followings:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Overdue amounts included in bank borrowings — current as at 31 December 2019	2,175	3,038	4,865	3,624	3,058	4,333
Overdue amounts included in bank borrowings — current as at date of the Historical Financial Information of the Target Companies	6,525	9,115	14,594	10,873	9,174	13,000

The management of each of the Target Companies is currently in the negotiation with the relevant bank to convince it not to demand for repayment of the outstanding borrowings before completion of the Disposals and is optimistic that the relevant bank will also accept such arrangement.

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

Notwithstanding the above, significant multiple uncertainties exist about each of the Target Companies' ability to continue as a going concern. Whether each of the Target Companies will be able to continue as a going concern would depend upon the successful fulfillment of the following conditions:

- Mr. Cheng and Asia Pacific are financially viable to provide adequate funds enabling each of the Target Companies to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of the Historical Financial Information of the Target Companies or up to the completion date of the Disposals, whichever is shorter;

- In the event that the Disposals is completed, whether the Purchaser will provide financial support to each of the Target Companies should they require additional funding from the Purchaser to meet in full their financial obligations as and when they fall due for the post disposal period up to end of twelve months after the date of issue of this report; and

- The management of each of the Target Companies is able to convince the relevant bank not to demand for repayment in respect of each of the Target Companies' overdue outstanding borrowings until they are financially capable to do so, either having adequate fund generated from their operations or from their shareholders.

Should any of the above conditions is not fulfilled, each of the Target Companies might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of each of the Target Companies' assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the Historical Financial Information of the Target Companies.

Basis of preparation

The Historical Financial Information of the Target Companies has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposals. 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").

3. PRINCIPAL ACCOUNTING POLICIES

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

The Historical Financial Information of the Target Companies has been prepared in accordance with the accounting policies adopted by each of the Target Companies as set out in the annual report of the Company for the year ended 31 December 2017, 2018 and 2019. Except as described below, these policies have been consistently applied to all the years presented.

3.1 IFRS 15 Revenue from Contracts with Customers

Each of the Target Companies 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.

Each of the Target Companies 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 earnings/accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, each of the Target Companies 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.

Each of the Target Companies recognises revenue from the following major sources which arise from contracts with customers:

Sales of electricity

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

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 each of the Target Companies' 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 each of the Target Companies 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.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

Under IFRS 15, each of the Target Companies 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 each of the Target Companies' performance as the Target Companies perform;
- the Target Companies' performance creates or enhances an asset that the customer controls as the Target Companies perform; or
- The Target Companies' performance does not create an asset with an alternative use to the Target Companies and each of the Target Companies 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 each of the Target Companies' right to consideration in exchange for goods or services that each of the Target Companies 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 each of the Target Companies' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3.1.2 Summary of effects arising from initial application of IFRS 15

The following table summarises the impact of transition to IFRS 15 on retained earnings/accumulated losses at 1 January 2018. Line items that were not affected by the changes have not been included.

	Akesu Datang Impact of adopting IFRS 15 at 1 January 2018	Yuepuhu Gaoke Impact of adopting IFRS 15 at 1 January 2018	Heshuo Hengxin Impact of adopting IFRS 15 at 1 January 2018	Tulufan Lianxing Impact of adopting IFRS 15 at 1 January 2018	Wensu Riyuehui Impact of adopting IFRS 15 at 1 January 2018	Hejing Yixin Impact of adopting IFRS 15 at 1 January 2018
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
(Accumulated losses) retained earnings as at 31 December 2017	(5,160)	(12,951)	8,448	(7,982)	(10,233)	8,993
Imputed interest adjustment due to significant financing component arising from sales of electricity	(756)	(676)	(1,224)	(766)	(758)	(1,289)
Adjusted balance as at 1 January 2018	(5,916)	(13,627)	7,224	(8,748)	(10,991)	7,704

The following adjustment was made to the amounts recognised in each of the Target Companies' unaudited condensed statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Remeasurements	Carrying amounts under IFRS 15 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current assets			
Trade and other receivables *(Note)*			
— Akesu Datang	17,272	(756)	16,516
— Yuepuhu Gaoke	15,289	(676)	14,613
— Heshuo Hengxin	27,775	(1,224)	26,551
— Tulufan Lianxing	17,691	(766)	16,925
— Wensu Riyuehui	20,443	(758)	19,685
— Hejing Yixin	29,304	(1,289)	28,015
Reserves			
— Akesu Datang	33,840	(756)	33,084
— Yuepuhu Gaoke	35,049	(676)	34,373
— Heshuo Hengxin	91,348	(1,224)	90,124
— Tulufan Lianxing	39,018	(766)	38,252
— Wensu Riyuehui	40,267	(758)	39,509
— Hejing Yixin	90,893	(1,289)	89,604

Note: As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly. As at 1 January 2018, the remeasurement, as a result of the significant financial component on sales of electricity, had been adjusted to retained earnings/accumulated losses on 1 January 2018.

3.2 IFRS 9 Financial Instruments

During the year ended 31 December 2018, each of the Target Companies 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 3) general hedge accounting.

Each of the Target Companies 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 under ECL) 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. There is no impact of ECL on 1 January 2018 compared with 31 December 2017.

Trade receivables, other receivables, restricted bank deposits and bank balances and cash are previously classified as "loan and receivables" under IAS 39, but now they are classified as "financial assets measured at amortised cost" under IFRS 9 since 1 January 2018.

The table below illustrates the classification of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Receivables at FVTOCI *RMB'000* (Unaudited)	**Amortised cost (previously classified as loans and receivables** *RMB'000* (Unaudited)
Closing balance at 31 December 2017 — IAS 39 effect arising from initial application of IFRS 9:		
— Akesu Datang	—	17,219
— Yuepuhu Gaoke	—	15,231
— Heshuo Hengxin	—	27,730
— Tulufan Lianxing	—	17,667
— Wensu Riyuehui	—	20,323
— Hejing Yixin	—	29,105
Reclassification		
From trade and bills receivables *(Note)*		
— Akesu Datang	—	—
— Yuepuhu Gaoke	—	—
— Heshuo Hengxin	—	—
— Tulufan Lianxing	—	—
— Wensu Riyuehui	500	(500)
— Hejing Yixin	—	—
Opening balance at 1 January 2018		
— Akesu Datang	—	17,219
— Yuepuhu Gaoke	—	15,231
— Heshuo Hengxin	—	27,730
— Tulufan Lianxing	—	17,667
— Wensu Riyuehui	500	19,823
— Hejing Yixin	—	29,105

Note: As part of each of the Target Companies' cash flow management, part of the receivables in relation to its sales of electricity and tariff subsidy held by the Target Companies 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 state-owned grid for the settlement of the Target Companies' trade receivables) to financial institutions before the bills are due for payment. Each of the Target Companies derecognises bills discounted on the basis that each of the Target Companies has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, these receivables were reclassified to receivables at FVTOCI.

As at 31 December 2017, no loss allowance was recognised for trade receivables, other receivables, restricted bank deposits and bank balances and cash for each of the Target Companies.

No adjustment has therefore been made on the opening retained earnings/ accumulated losses since the financial effects arising from the initial application of IFRS 9 on the carrying amount of these financial assets on the opening financial statements was insignificant in the opinion of the directors of each of the Target Companies.

3.3 Impacts on opening unaudited condensed statement of financial position arising from the application of all new standards as at 1 January 2018

As a result of the changes in the entity's accounting policies as stated in notes 3.1 and 3.2 above, the opening unaudited condensed statement of financial position as at 1 January 2018 had to be restated. The following table shows the adjustments recognised for each individual line item that were affected by the changes.

	31 December 2017	IFRS 15	IFRS 9	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current assets				
Trade and other receivables				
— Akesu Datang	17,272	(756)	—	16,516
— Yuepuhu Gaoke	15,289	(676)	—	14,613
— Heshuo Hengxin	27,775	(1,224)	—	26,551
— Tulufan Lianxing	17,691	(766)	—	16,925
— Wensu Riyuehui	20,443	(758)	(500)	19,185
— Hejing Yixin	29,304	(1,289)	—	28,015
Receivables at FVTOCI				
— Akesu Datang	—	—	—	—
— Yuepuhu Gaoke	—	—	—	—
— Heshuo Hengxin	—	—	—	—
— Tulufan Lianxing	—	—	—	—
— Wensu Riyuehui	—	—	500	500
— Hejing Yixin	—	—	—	—
Capital and reserves				
Reserve				
— Akesu Datang	33,840	(756)	—	33,084
— Yuepuhu Gaoke	35,049	(676)	—	34,373
— Heshuo Hengxin	91,348	(1,224)	—	90,124
— Tulufan Lianxing	39,018	(766)	—	38,252
— Wensu Riyuehui	40,267	(758)	—	39,509
— Hejing Yixin	90,893	(1,289)	—	89,604

3.4 IFRS 16 Leases

Each of the Target Companies has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17 Leases ("IAS 17") and the related interpretations.

Each of the Target Companies applied the following accounting policies in accordance with the transition provisions of IFRS 16.

3.4.1 Key changes in accounting policies resulting from application of IFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, 1 January 2019, each of the Target Companies assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a leasee

Right-of-use assets

Each of the Target Companies recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by each of the Target Companies; and
- an estimate of costs to be incurred by each of the Target Companies in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Each of the Target Companies presents right-of-use assets as a separate line item on the condensed statement of financial position.

Lease liabilities

At the commencement date of a lease, each of the Target Companies recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, each of the Target Companies uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by each of the Target Companies; and
- payments of penalties for terminating a lease, if the lease term reflects the each of the Target Companies exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which each of the Target Companies recognises the right-of-use assets and the related lease liabilities, each of the Target Companies first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, each of the Target Companies applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3.4.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

Each of the Target Companies has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, each of the Target Companies has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, each of the Target Companies applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As lessee

Each of the Target Companies has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application.

On transition, each of the Target Companies reclassified prepaid lease payment to right-of-use assets upon application of IFRS 16:

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reclassified from prepaid lease payments	5,468	661	17,247	6,912	1,415	1,996
By class						
Leasehold lands	5,468	661	17,247	6,912	1,415	1,996

The following adjustments were made to the amounts recognised in the condensed statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets			
Right-of-use assets			
— Akesu Datang	—	5,468	5,468
— Yuepuhu Gaoke	—	661	661
— Heshuo Hengxin	—	17,247	17,247
— Tulufan Lianxing	—	6,912	6,912
— Wensu Riyuehui	—	1,415	1,415
— Hejing Yixin	—	1,996	1,996
Non-current assets			
Prepaid lease payments — non-current			
— Akesu Datang	5,166	(5,166)	—
— Yuepuhu Gaoke	620	(620)	—
— Heshuo Hengxin	16,227	(16,227)	—
— Tulufan Lianxing	6,501	(6,501)	—
— Wensu Riyuehui	1,333	(1,333)	—
— Hejing Yixin	1,949	(1,949)	—

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Current assets			
Prepaid lease payments — current			
— Akesu Datang	302	(302)	—
— Yuepuhu Gaoke	41	(41)	—
— Heshuo Hengxin	1,020	(1,020)	—
— Tulufan Lianxing	411	(411)	—
— Wensu Riyuehui	82	(82)	—
— Hejing Yixin	47	(47)	—
Current liabilities			
Lease liabilities			
— Akesu Datang	—	6,048	6,048
— Yuepuhu Gaoke	—	—	—
— Heshuo Hengxin	—	2,597	2,597
— Tulufan Lianxing	—	—	—
— Wensu Riyuehui	—	—	—
— Hejing Yixin	—	—	—
Trade and other payables			
— Akesu Datang	26,990	(6,048)	20,942
— Yuepuhu Gaoke	16,536	—	16,536
— Heshuo Hengxin	22,250	(2,597)	19,653
— Tulufan Lianxing	10,889	—	10,889
— Wensu Riyuehui	20,226	—	20,226
— Hejing Yixin	27,589	—	27,589

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. PLEDGE ON THE EQUITY INTEREST AND ASSETS

As at 31 December 2019 and date of this Historical Financial Information of the Target Companies, along with each of the entire equity interest of Akesu Datang, Heshuo Hengxin, Wensu Riyuehui and Hejing Yixin (referred to as the "Pledged Shares"), and solar power plants and trade receivables and accrued revenue on tariff subsidies held by each of the Target Companies have been pledged in order to obtain the pledged borrowings from independent financial institutions, the outstanding principal balance of which as at 31 December 2019 are as followings:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Outstanding carrying amount	57,083	79,749	127,683	95,124	80,260	113,736

The Pledged Shares as one of the conditions precedent, is required to be released prior to the completion of the Disposals.

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 16 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司) ("Jiangxi Shunfeng") and Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司) ("Shanghai Shunneng") (hereafter collectively referred to as the "Vendors"), each a wholly owned subsidiary of the Company, entered into 6 share transfer agreements with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) (the "Purchaser"), an independent third party, pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interests of i) Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司) ("Akesu Datang"), ii) Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司) ("Yuepuhu Gaoke"), iii) Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司) ("Heshuo Hengxin"), iv) Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司) ("Tulufan Lianxing"), v) Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司) ("Wensu Riyuehui") and vi) Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) ("Hejing Yixin") (hereafter collectively referred to as the "Target Companies") from the Vendors at an aggregative cash consideration of RMB181,140,000 (the "Disposals").

The Target Companies are principally engaged in the solar power generation business in the PRC. Upon the completion of the Disposals, the Group will cease to have control over the Target Companies and the remaining group (the "Remaining Group") will continue to operate (a) the manufacturing business of LED (an energy efficient lighting device), and (b) the remaining solar power generation business in the PRC.

The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Remaining Group, comprising the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019, has been prepared by the directors of the Company (the "Directors") 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

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

set out below, for the purpose of illustrating the effect of the Disposals, as if the Disposals had been completed on 31 December 2019 or 1 January 2019, as appropriate.

A narrative description of the unaudited pro forma adjustments of the Disposals that are directly attributable to the transactions 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 Remaining Group had the Disposals 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 is applicable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published annual report of the Company dated 29 April 2020 for the year ended 31 December 2019 and the unaudited historical financial information of the Target Companies as set out in Appendix II and other financial information included elsewhere in this circular.

As disclosed in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 2019, each in relation to the 2019 Disposal (as defined in the section headed "DEFINITIONS" of this circular), on 15 November 2019, Jiangxi Shunfeng, Shanghai Shunneng and Shijiazhuang Yakai (each a wholly-owned subsidiary of the Company) entered into 11 sale and purchase agreements with the 2019 Disposal Purchaser (as defined in the section headed "DEFINITIONS" of this circular), pursuant to which the vendors conditionally agreed to sell, and the 2019 Disposal Purchaser conditionally agreed to purchase, the equity interests in 11 subsidiaries of Group (each a "2019 Subject Company"), with total installed capacity of 490MW in their solar power projects, at an aggregate consideration of RMB641.42 million. It is further disclosed in the poll results announcement of the Company dated 17 January 2020 that the ordinary resolution to approve the 2019 Disposal was duly passed by the shareholders in the extraordinary general meeting on the same date. As at the Latest Practicable Date (as defined in the section headed "DEFINITIONS" of this circular), the disposals of each of the 2019 Subject Companies have been completed.

The Company would like to draw the attention of the investors and other users of this circular that when preparing the Unaudited Pro forma Financial Information of the Remaining Group, no adjustment had been made to reflect the impact of disposals of 2019 Subject Companies, which have been or will be completed subsequent to 31 December 2019. Assets and liabilities of 2019 Subject Companies, which are expected to be sold within twelve months since 31 December 2019, have been included in "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" in the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019, respectively.

Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019

Unaudited Pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules

	The Group	Unaudited pro forma adjustments in respect of the Disposals										The Remaining Group
	As at 31 December 2019 (Audited) RMB'000 Note 1	Exclusion of 100% equity interest in Akesu Datang as at 31 December 2019 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Yuepuhu Gaoke as at 31 December 2019 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Heshuo Hengxin as at 31 December 2019 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Tulufan Lianxing as at 31 December 2019 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Wensu Riyuehui as at 31 December 2019 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Hejing Yixin as at 31 December 2019 RMB'000 Note 2(a)	Recognition of impact on consideration and estimated loss on the Disposals RMB'000 Note 2(b)	Reinstatement of intra-group balances RMB'000 Note 2(c)	Estimated the costs and expenses in respect of the Disposals RMB'000 Note 2(d)	Total pro forma adjustments in respect of the Disposals RMB'000	As at 31 December 2019 (Unaudited) RMB'000
Non-current assets												
Property, plant and equipment	232,383	(23)	(10)	(8)	(169)	(8)	(13)	—	—	—	(231)	232,152
Right-of-use assets	203,496	(5,134)	(619)	(16,160)	(6,475)	(1,326)	(1,870)	—	—	—	(31,584)	171,912
Solar power plants	6,782,957	(119,534)	(145,878)	(206,776)	(150,664)	(138,763)	(237,228)	(17,310)	—	—	(1,016,153)	5,766,804
Interests in associates	2,816	—	—	—	—	—	—	—	—	—	—	2,816
Interests in joint ventures	32,135	—	—	—	—	—	—	—	—	—	—	32,135
Financial assets at fair value through profit or loss ("FVTPL")	3,096	—	—	—	—	—	—	—	—	—	—	3,096
Other non-current assets	106,238	(509)	(581)	(633)	(31)	(618)	(215)	—	—	—	(2,587)	103,651
Value-added tax recoverable — non-current	440,007	(2,175)	(1,105)	—	—	(2,763)	(102)	—	—	—	(6,145)	433,862
Contract assets — non-current	310,394	—	—	—	—	—	—	—	—	—	—	310,394
Total Non-current assets	**8,113,522**	**(127,375)**	**(148,193)**	**(223,577)**	**(157,339)**	**(143,478)**	**(239,428)**	**(17,310)**	**—**	**—**	**(1,056,700)**	**7,056,822**
Current assets												
Inventories	92,150	—	—	—	—	—	—	—	—	—	—	92,150
Trade and other receivables	1,747,976	(35,525)	(31,075)	(63,264)	(39,110)	(36,879)	(54,859)	168,634	—	—	(92,078)	1,655,898
Amounts due from the related parties	2,004,413	—	—	—	—	—	—	—	—	—	—	2,004,413
Amounts due from the Target Companies	—	—	—	—	—	—	—	(4,404)	300,146	—	295,742	295,742
Receivables at fair value through other comprehensive income ("FVTOCI")	17,069	—	—	—	—	(500)	—	—	—	—	(500)	16,569
Value-added tax recoverable	84,534	(2,745)	(2,425)	(853)	(1,748)	(2,896)	(4,486)	—	—	—	(15,153)	69,381
Prepayments to suppliers	18,890	—	—	—	—	—	—	—	—	—	—	18,890
Restricted bank deposits	67,856	(1,076)	(10)	(10)	(10)	(10)	(10)	—	—	—	(1,126)	66,730
Bank balances and cash	89,703	(2)	(5)	(6)	(7)	(176)	(7)	—	—	(5,315)	(5,518)	84,185
Total Current assets	**4,122,591**	**(39,348)**	**(33,515)**	**(64,133)**	**(40,875)**	**(40,461)**	**(59,362)**	**164,230**	**300,146**	**(5,315)**	**181,367**	**4,303,958**
Assets classified as held for sale	3,896,381	—	—	—	—	—	—	—	—	—	—	3,896,381
Total Current assets	**8,018,972**	**(39,348)**	**(33,515)**	**(64,133)**	**(40,875)**	**(40,461)**	**(59,362)**	**164,230**	**300,146**	**(5,315)**	**181,367**	**8,200,339**

	The Group	Unaudited pro forma adjustments										The Remaining Group
	As at 31 December 2019 (Audited)	Exclusion of 100% equity interest in Akesu Datang as at 31 December 2019	Exclusion of 100% equity interest in Yuepuhu Gaoke as at 31 December 2019	Exclusion of 100% equity interest in Heshuo Hengxin as at 31 December 2019	Exclusion of 100% equity interest in Tulufan Lianxing as at 31 December 2019	Exclusion of 100% equity interest in Wensu Riyuehui as at 31 December 2019	Exclusion of 100% equity interest in Hejing Yixin as at 31 December 2019	Recognition of impact on consideration and estimated loss on the Disposals	Reinstatement of intra-group balances	Estimated the costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	As at 31 December 2019 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*		
Current Liability												
Trade and other payables	2,001,291	(21,074)	(17,671)	(17,762)	(14,997)	(12,376)	(22,817)	—	—	—	(106,697)	1,894,594
Contract liabilities	12,510	—	—	—	—	—	—	—	—	—	—	12,510
Amounts due to related parties	2,224,930	—	—	—	—	—	—	—	—	—	—	2,224,930
Amounts due to the Remaining Group	—	(55,723)	(52,494)	(41,926)	(29,999)	(51,042)	(68,962)	—	300,146	—	—	—
Lease liabilities	19,940	(4,848)	—	—	—	—	—	—	—	—	(4,848)	15,092
Provisions	177,100	—	—	—	—	—	—	—	—	—	—	177,100
Tax liabilities	5,565	—	—	—	—	—	—	—	—	—	—	5,565
Bank and other borrowings	5,097,942	(21,748)	(30,384)	(48,647)	(36,242)	(30,579)	(43,333)	—	—	—	(210,933)	4,887,009
Derivative financial liabilities	6,078	—	—	—	—	—	—	—	—	—	—	6,078
Convertible bonds	37,376	—	—	—	—	—	—	—	—	—	—	37,376
Bonds payables	824,778	—	—	—	—	—	—	—	—	—	—	824,778
	10,407,510	**(103,393)**	**(100,549)**	**(108,335)**	**(81,238)**	**(93,997)**	**(135,112)**	**—**	**300,146**	**—**	**(322,478)**	**10,085,032**
Liabilities associated with assets classified as held for sale	2,429,815	—	—	—	—	—	—	—	—	—	—	2,429,815
Total Current Liability	**12,837,325**	**(103,393)**	**(100,549)**	**(108,335)**	**(81,238)**	**(93,997)**	**(135,112)**	**—**	**300,146**	**—**	**(322,478)**	**12,514,847**
Net current liabilities	**(4,818,353)**	**64,045**	**67,034**	**44,202**	**40,363**	**53,536**	**75,750**	**164,230**	**—**	**(5,315)**	**503,845**	**(4,314,508)**
Total assets less current liabilities	**3,295,169**	**(63,330)**	**(81,159)**	**(179,375)**	**(116,976)**	**(89,942)**	**(163,678)**	**146,920**	**—**	**(5,315)**	**(552,855)**	**2,742,314**
Capital and reserves												
Share capital	40,756							—	—	—	—	40,756
Reserves	(909,856)							(204,838)	—	(5,315)	(210,153)	(1,120,009)
Equity attributable to owners of the Company	**(869,100)**							**(204,838)**	**—**	**(5,315)**	**(210,153)**	**(1,079,253)**
Non-controlling interests	1,453,733							—	—	—	—	1,453,733
Total equity	**584,633**							**(204,838)**	**—**	**(5,315)**	**(210,153)**	**374,480**
Non-current liabilities												
Deferred tax liabilities	3,652	—	—	—	—	—	—	—	—	—	—	3,652
Bank and other borrowings	2,229,301	(35,335)	(49,365)	(79,036)	(58,882)	(49,681)	(70,403)	—	—	—	(342,702)	1,886,599
Lease liabilities	13,544	—	—	—	—	—	—	—	—	—	—	13,544
Convertible bonds	464,039	—	—	—	—	—	—	—	—	—	—	464,039
Total Non-current liabilities	**2,710,536**	**(35,335)**	**(49,365)**	**(79,036)**	**(58,882)**	**(49,681)**	**(70,403)**	**—**	**—**	**—**	**(342,702)**	**2,367,834**

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2019

Unaudited Pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules

	The Group	Unaudited pro forma adjustments in respect of the Disposals											The Remaining Group
	For the year ended 31 December 2019 (Audited)	Exclusion of the results of Akesu Datang for the year ended 31 December 2019	Exclusion of the results of Yuepuhu Gaoke for the year ended 31 December 2019	Exclusion of the results of Heshuo Hengxin for the year ended 31 December 2019	Exclusion of the results of Tulufan Lianxing for the year ended 31 December 2019	Exclusion of the results of Wensu Riyuehui for the year ended 31 December 2019	Exclusion of the results of Hejing Yixin for the year ended 31 December 2018	Estimated loss in respect of the Disposals	Recognition of interest income by the Remaining Group	Reversal of additional depreciation and impairment loss arising from interest capitalisation at group level	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	For the year ended 31 December 2019 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(g)*		
Continuing operations													
Revenue	1,731,106	(19,496)	(17,272)	(33,382)	(19,345)	(20,549)	(31,788)	—	—	—	—	(141,832)	1,589,274
Cost of sales	(1,004,278)	11,446	11,867	16,532	12,011	11,527	15,302	—	—	1,675	—	80,360	(923,918)
Gross Profit	**726,828**	**(8,050)**	**(5,405)**	**(16,850)**	**(7,334)**	**(9,022)**	**(16,486)**	**—**	**—**	**1,675**	**—**	**(61,472)**	**665,356**
Other income	117,382	(719)	(634)	(1,243)	(776)	(727)	(1,121)	—	4,718	—	—	(502)	116,880
Other gains and losses	(1,302,330)	15,581	5,148	3	2,624	—	—	(196,995)	—	9,598	—	(164,041)	(1,466,371)
Impairment losses under expected credit loss model, net of reversal	(106,570)	9	8	18	10	10	14	—	—	—	—	69	(106,501)
Distribution and selling expenses	(9,926)	—	—	—	—	—	—	—	—	—	—	—	(9,926)
Administrative expenses	(203,948)	1,172	84	29	1,072	37	155	—	—	—	(5,226)	(2,677)	(206,625)
Research and development expenditure	(60,020)	—	—	—	—	—	—	—	—	—	—	—	(60,020)
Share of gains of associates	636	—	—	—	—	—	—	—	—	—	—	—	636
Finance costs	(1,163,046)	6,409	8,387	11,797	8,915	7,542	12,434	—	—	—	—	55,484	(1,107,562)
Loss before tax	**(2,000,994)**	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,160)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,139)**	**(2,174,133)**
Income tax expense	(12,909)	—	—	—	—	—	—	—	—	—	—	—	(12,909)
Loss for the period from continuing operations	**(2,013,903)**	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,160)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,139)**	**(2,187,042)**
Discontinued operations													
Profit for the period from discontinued operations	129,020	—	—	—	—	—	—	—	—	—	—	—	129,020
Loss for the year	**(1,884,883)**	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,160)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,139)**	**(2,058,022)**

	The Group	Unaudited pro forma adjustments in respect of the Disposals											The Remaining Group
	For the year ended 31 December 2019 (Audited) RMB'000 Note 1	Exclusion of the results of Akesu Datang for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the results of Yuepuhu Gaoke for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the results of Heshuo Hengxin for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the results of Tulufan Lianxing for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the results of Wensu Riyuehui for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the results of Hejing Yixin for the year ended 31 December 2018 RMB'000 Note 3(a)	Estimated loss in respect of the Disposals RMB'000 Note 3(b)	Recognition of interest income by the Remaining Group RMB'000 Note 3(c)	Reversal of additional depreciation and impairment loss arising from interest capitalisation at group level RMB'000 Note 3(d)	Estimated costs and expenses in respect of the Disposals RMB'000 Note 3(g)	Total pro forma adjustments in respect of the Disposals RMB'000	For the year ended 31 December 2019 (Unaudited) RMB'000
Other comprehensive (expense) income:													
Items that may be subsequently reclassified to profit or loss:													
Exchange differences on translating foreign operations	(812)	—	—	—	—	—	—	—	—	—	—	—	(812)
Share of other comprehensive income of associates and joint ventures	(1,669)	—	—	—	—	—	—	—	—	—	—	—	(1,669)
Fair value gain (loss) on:													
Receivables at FVTOCI	167	—	—	—	—	(15)	—	—	—	—	—	(15)	152
Other comprehensive expense for the period	(2,314)	—	—	—	—	(15)	—	—	—	—	—	(15)	(2,329)
Total comprehensive expense for the period	**(1,887,197)**	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,175)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,154)**	**(2,060,351)**
(Loss) profit for the year attributable to owners of the Company													
— from continuing operations	(2,030,746)	14,402	7,588	(6,246)	4,511	(2,160)	(5,004)	(196,995)	4,718	11,273	(5,226)	(173,139)	(2,203,885)
— from discontinued operations	129,020	—	—	—	—	—	—	—	—	—	—	—	129,020
(Loss) profit for the year attributable to owners of the Company	**(1,901,726)**	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,160)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,139)**	**(2,074,865)**
Profit for the year attributable to non-controlling interests													
— from continuing operations	16,843	—	—	—	—	—	—	—	—	—	—	—	16,843
Total comprehensive (expense) income for the year attributable to:													
Owners of the Company	(1,903,892)	14,402	7,588	(6,246)	4,511	(2,175)	(5,004)	(196,995)	4,718	11,273	(5,226)	(173,154)	(2,077,046)
Non-controlling interests	16,695	—	—	—	—	—	—	—	—	—	—	—	16,695
	(1,887,197)	**14,402**	**7,588**	**(6,246)**	**4,511**	**(2,175)**	**(5,004)**	**(196,995)**	**4,718**	**11,273**	**(5,226)**	**(173,154)**	**(2,060,351)**

Unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019

	The Group	Unaudited pro forma adjustments in respect of the Disposals											The Remaining Group
	For the year ended 31 December 2019 (Audited) *RMB'000* *Note 1*	Exclusion of the cash flow of Akesu Datang for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Yuepuhu Gaoke for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Heshuo Hengxin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Tulufan Lianxing for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Wensu Riyuehui for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Hejing Yixin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Recognition of proceeds on the Disposals *RMB'000* *Note 3(b)*	Reinstatement of intra-group cash flows *RMB'000* *Note 3(e)*	Repayment of Relevant Payables *RMB'000* *Note 3(f)*	Estimated costs and expenses in respect of the Disposals *RMB'000* *Note 3(g)*	Total pro forma adjustments in respect of the Disposals *RMB'000*	For the year ended 31 December 2019 (Unaudited) *RMB'000*
Net cash from (used in) operating activities	**1,746,285**	**(16,976)**	**(11,606)**	**(27,532)**	**(16,364)**	**(17,712)**	**(28,589)**	**—**	**—**	**—**	**(5,226)**	**(124,005)**	**1,622,280**
Investing activities													
Withdrawal of restricted bank deposits	1,152,947	—	—	—	—	—	—	—	—	—	—	—	1,152,947
Receipt from government grants	831	—	—	—	—	—	—	—	—	—	—	—	831
Bank interest income received	21,836	—	—	—	—	(2)	—	—	—	—	—	(2)	21,834
Placement of restricted bank deposits	(791,874)	1,066	—	—	—	—	—	—	—	—	—	1,066	(790,808)
Payments of right-of-use assets	(29,634)	—	—	—	—	—	—	—	—	—	—	—	(29,634)
Payments of property, plant and equipment	(213,471)	—	—	—	169	—	—	—	—	—	—	169	(213,302)
Payments for construction cost in respect of solar power plants	(168,210)	5,228	76	537	692	9,356	2,830	—	—	—	—	18,719	(149,491)
Proceeds on disposal of property, plant and equipment	2,583	—	—	—	—	—	—	—	—	—	—	—	2,583
Capital contribution to a joint venture	(24,137)	—	—	—	—	—	—	—	—	—	—	—	(24,137)
Deposit paid for acquisition of additional equity interest in a joint venture	(64,239)	—	—	—	—	—	—	—	—	—	—	—	(64,239)
Deposit paid for an entity investment	(61,972)	—	—	—	—	—	—	—	—	—	—	—	(61,972)

	The Group	Unaudited pro forma adjustments in respect of the Disposals											The Remaining Group
	For the year ended 31 December 2019 (Audited) *RMB'000* *Note 1*	Exclusion of the cash flow of Akesu Datang for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Yuepuhu Gaoke for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Heshuo Hengxin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Tulufan Lianxing for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Wensu Riyuehui for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Hejing Yixin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Recognition of proceeds on the Disposals *RMB'000* *Note 3(b)*	Reinstatement of intra-group cash flows *RMB'000* *Note 3(e)*	Repayment of Relevant Payables *RMB'000* *Note 3(f)*	Estimated costs and expenses in respect of the Disposals *RMB'000* *Note 3(g)*	Total pro forma adjustments in respect of the Disposals *RMB'000*	For the year ended 31 December 2019 (Unaudited) *RMB'000*
Purchases of intangible assets	(988)	—	—	—	—	—	—	—	—	—	—	—	(988)
Loan advanced to independent third parties	(198,142)	—	—	—	—	—	—	—	—	—	—	—	(198,142)
Loan repayment from independent third parties	10,590	—	—	—	—	—	—	—	—	—	—	—	10,590
Loan advance to the Target Companies	—	—	—	—	—	—	—	—	(7,923)	—	—	(7,923)	(7,923)
Loan repayment from the Target Companies	—	—	—	—	—	—	—	—	102,953	—	—	102,953	102,953
Repayment of Relevant payables	—	—	—	—	—	—	—	—	—	322,616	—	322,616	322,616
Loan repayment from the related parties	148,269	—	—	—	—	—	—	—	—	—	—	—	148,269
Net cash outflow arising from disposal of subsidiaries	(322,758)	—	—	—	—	—	—	—	—	—	—	—	(322,758)
Dividend received from associates	980	—	—	—	—	—	—	—	—	—	—	—	980
Dividend received from joint ventures	71,800	—	—	—	—	—	—	—	—	—	—	—	71,800
Receipt of consideration receivable in respect of subsidiaries previously disposed	8,707	—	—	—	—	—	—	—	—	—	—	—	8,707
Settlement received from amounts due from disposed subsidiaries disposed in previous years	5,919	—	—	—	—	—	—	—	—	—	—	—	5,919
Cash received from the Disposals	—	—	—	—	—	—	—	181,140	—	—	—	181,140	181,140
Net cash (used in) from investing activities	**(450,963)**	**6,294**	**76**	**537**	**861**	**9,354**	**2,830**	**181,140**	**95,030**	**322,616**	**—**	**618,738**	**167,775**
Financing activities													
New bank and other borrowings raised	779,954	—	—	—	—	—	—	—	—	—	—	—	779,954
Repayment of bank and other borrowings	(1,192,290)	—	—	—	—	—	—	—	—	—	—	—	(1,192,290)
Interest paid for convertible bonds	(48,611)	—	—	—	—	—	—	—	—	—	—	—	(48,611)
Interest paid	(778,687)	—	—	—	—	—	—	—	—	—	—	—	(778,687)
Interest paid for bond payables	(11,463)	—	—	—	—	—	—	—	—	—	—	—	(11,463)
Repayment of bond payables	(8,537)	—	—	—	—	—	—	—	—	—	—	—	(8,537)
Repayment of convertible bonds	(262,932)	—	—	—	—	—	—	—	—	—	—	—	(262,932)
Repayment of lease liabilities	(42,717)	1,200	—	2,597	—	—	—	—	—	—	—	3,797	(38,920)
Advance from independent third parties	43,597	—	—	—	—	—	—	—	—	—	—	—	43,597
Repayment to independent third parties	(112,300)	—	—	—	—	—	—	—	—	—	—	—	(112,300)
Advance from the Remaining Group	—	(2,828)	(463)	(2,955)	(766)	(467)	(444)	—	7,923	—	—	—	—
Repayment to the Remaining Group	—	12,317	11,997	27,354	16,272	8,806	26,207	—	(102,953)	—	—	—	—
Repayment to the related parties	(314,728)	—	—	—	—	—	—	—	—	—	—	—	(314,728)

	The Group	Unaudited pro forma adjustments in respect of the Disposals											The Remaining Group
	For the year ended 31 December 2019 (Audited) *RMB'000* *Note 1*	Exclusion of the cash flow of Akesu Datang for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Yuepuhu Gaoke for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Heshuo Hengxin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Tulufan Lianxing for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Wensu Riyuehui for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Exclusion of the cash flow of Hejing Yixin for the year ended 31 December 2019 *RMB'000* *Note 3(a)*	Recognition of proceeds on the Disposals *RMB'000* *Note 3(b)*	Reinstatement of intra-group cash flows *RMB'000* *Note 3(e)*	Repayment of Relevant Payables *RMB'000* *Note 3(f)*	Estimated costs and expenses in respect of the Disposals *RMB'000* *Note 3(g)*	Total pro forma adjustments in respect of the Disposals *RMB'000*	For the year ended 31 December 2019 (Unaudited) *RMB'000*
Net cash used in financing activities	**(1,948,714)**	**10,689**	**11,534**	**26,996**	**15,506**	**8,339**	**25,763**	**—**	**(95,030)**	**—**	**—**	**3,797**	**(1,944,917)**
Net (decrease) increase in cash and cash equivalents	(653,392)	7	4	1	3	(19)	4	181,140	—	322,616	(5,226)	498,530	(154,862)
Cash and cash equivalents at beginning of the year	754,586	(9)	(9)	(7)	(10)	(157)	(11)	—	—	—	—	(203)	754,383
Effect of foreign exchange rate changes	(2,481)	—	—	—	—	—	—	—	—	—	—	—	(2,481)
Bank balances of 2019 Subject Companies eliminated upon transfer to assets classified as held for sale	(9,010)	—	—	—	—	—	—	—	—	—	—	—	(9,010)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**89,703**	**(2)**	**(5)**	**(6)**	**(7)**	**(176)**	**(7)**	**181,140**	**—**	**322,616**	**(5,226)**	**498,327**	**588,030**

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

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2019, 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 2019 as set out in the published annual report of the Group for the year ended 31 December 2019.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the disposals of each of the Target Companies had concurrently taken place on 31 December 2019. **The Company would like to draw the attention of the investors and other users of this circular that the completion of the disposals of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that 6 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the share purchase agreement ("SPA") of each individual entity are fulfilled, might or might not be able to dispose of each of the 6 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.**

   (a) The adjustments represent the exclusion of assets and liabilities of the Target Companies as at 31 December 2019, assuming the disposals of each of the Target Companies had concurrently taken place on 31 December 2019. The assets and liabilities of each of the Target Companies are extracted from the relevant unaudited consolidated statements of financial position as at 31 December 2019 set out in Appendix II to this circular.

   (b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 31 December 2019 and is calculated as follows:

			Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**	**Total**
		Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash consideration		*(i)*	28,508	8,194	67,689	14,940	19,730	42,079	181,140
Less: Changzhou Payables (as defined in note i)		*(i)*	—	—	(6,253)	—	—	(6,253)	(12,506)
Adjusted Consideration	A	*(i)*	28,508	8,194	61,436	14,940	19,730	35,826	168,634
Carrying amount of net assets of the Target Companies		*(ii)*	27,995	31,794	100,339	58,094	40,261	93,275	351,758
Add: Carrying amount of capitalised borrowing costs for qualifying assets at group level		*(iii)*	5,802	2,327	4,630	1,469	7,018	5,662	26,908
Less: Impairment loss recognised on solar power plants at group level		*(iv)*	(5,802)	(2,327)	—	(1,469)	—	—	(9,598)
Adjusted Carrying amount of net assets of the Target Companies	B	*27,995*	31,794	104,969	58,094	47,279	98,937	369,068	

		Notes	Akesu Datang RMB'000	Yuepuhu Gaoke RMB'000	Heshuo Hengxin RMB'000	Tulufan Lianxing RMB'000	Wensu Riyuehui RMB'000	Hejing Yixin RMB'000	Total RMB'000
Original fair value adjustment of amounts due from Target Companies	C	*(v)*	(26,782)	(25,230)	(20,151)	(14,418)	(24,532)	(33,145)	(144,258)
Modification gain due to change in expected cash flow	D	*(vi)*	25,788	24,498	19,566	13,999	23,820	32,183	139,854
Estimated loss charged to profit or loss	E = A–B + C + D	*(vii)*	**(481)**	**(24,332)**	**(44,118)**	**(43,573)**	**(28,261)**	**(64,073)**	**(204,838)**
Total impact on amounts due from Target Companies	C + D		**(994)**	**(732)**	**(585)**	**(419)**	**(712)**	**(962)**	**(4,404)**

Notes:

(i) Pursuant to the SPAs, the aggregate consideration for the Disposals (the "Consideration") is RMB181,140,000, which is determined based on the business enterprise value of the Target Companies as at 30 September 2019 and other factors as detailed in paragraph "Basis of Consideration" in this circular, details of the consideration for each of the Target Companies are set out in the table above. In addition, pursuant to the SPAs for Heshuo Hengxin and Hejing Yixin, amounts of approximately RMB6,253,000 and RMB6,253,000 (collectively the "Changzhou Payables"), representing the amount of outstanding consultation fees payable by each of Heshuo Hengxin and Hejing Yixin to Changzhou Yixin New Energy Technology Co., Ltd.* (常州益鑫新能源科技股份有限公司) ("Changzhou Yixin"), which incurred after 30 September 2019 and has been included in "Trade and other payables" of Heshuo Hengxin and Hejing Yixin as at 31 December 2019, shall be deducted from the Consideration and shall not be included in the Relevant Payables (as defined in the circular). The Group previously purchased the equity interests in Heshuo Hengxin and Hejing Yixin from Changzhou Yixin. To the best knowledge, information and belief, having made all reasonable enquiries, the Directors are of the view that Changzhou Yixin is an independent third party.

The aggregated consideration taking into account the impact of Changzhou Payables (the "Adjusted Consideration") is approximately RMB168,634,000 and will be settled in three tranches. For the preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019, the Directors assumed the balance of RMB168,634,000 is accounted for as consideration receivable and included in "Trade and other receivables" as at 31 December 2019 and is expected to be received within twelve months upon the completion of the Disposals, as the Directors expected that the relevant conditions in relation to the payments of consideration could be fulfilled no later than twelve months since the completion of the Disposals.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 31 December 2019 which is extracted from the unaudited condensed statement of financial position of each of the Target Companies as at 31 December 2019 as set out in Appendix II to this circular.

(iii) The amount represents the cumulative borrowing costs incurred by the Remaining Group up to 31 December 2019 that were directly attributable to the construction or production of the Target Companies' solar power plants (i.e., qualifying asset) and having been capitalised as part of the cost of the solar power plants at group level. Such borrowings advanced by the Remaining Group to each of the Target Companies were unsecured, interest free and repayable on demand, thus they were recorded at current liabilities at its principal amount at the entity level of each of the Target Companies as set out in Appendix II to this circular, without recording any accreted interest. Accordingly, in deriving the Group's loss on the disposals of Target Companies, the corresponding cumulative borrowing costs capitalised at group level up to 31 December 2019 were added back to the carrying amount of net assets of the Target Companies.

(iv) Due to changes in market conditions and certain price competition requirement introduced by the relevant government authority in the market, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of the solar power plants of the Target Companies. As a result of the impairment assessment, the portion of borrowing costs incurred by the Group for qualifying assets capitalised at group level in relation to the solar power plants of Akesu Datang, Yuepuhu Gaoke and Tulufan Lianxing have been impaired at group level. The Group's total impairment loss amount recognised on solar power plants held by the Target Companies in this Appendix III was the same as those reported in the Group's published annual report for the year ended 31 December 2019. The recoverable amount of each cash-generating unit ("CGU"), representing each solar power plant held by each of the Target Companies in this Appendix III, has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective Target Companies covering the remaining useful lives of 20 years with a pre-tax discount rate is 7% as at 31 December 2019, respectively. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on each CGUs' past performance and management expectations for the market development. Accordingly, in deriving the Group's loss on the proposed disposal of Target Companies, the corresponding impact were also deducted from the carrying amount of net assets of the Target Companies.

(v) The amounts represent the original fair value adjustment of amounts due from Target Companies on 31 December 2019. The amounts due from the Target Companies are determined on initial recognition date based on (i) the original estimated future cash flows, as determined to be approximately 10 years for settlement in full from the date of advances and (ii) the applicable discount rates that reflect the specific credit risk of each of the Target Companies, which is known as the original effective interest rate. The cumulative imputed interest income recognised up to the completion of the Disposals by the Remaining Group is released to profit or loss.

(vi) Upon completion of the Disposals, the Directors considered that the estimated future cash flows of amounts due from the Target Companies had been changed, which was different from its original estimate of repayment on the initial recognition date, and revised based on (i) the revised estimated future cash flows with reference to the terms and conditions as described and defined in "Repayment of Relevant Payables" in this circular, which will be settled by each of the Target Companies in 3 to 4 tranches, or the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment; and as assessed by the management of the Remaining Group, will be within 1 year after the Completion of the Disposals; and (ii) the use of original effective interest rate. Amounts due from the Target Companies was therefore remeasured on 31 December 2019, by discounting the revised estimated cash flows at original effective interest rate, and resulted in an increase in its carrying amount with a corresponding modification gain credited to profit or loss. Since the change of estimated future cash flow is revised in accordance with the terms of "Payment of Relevant Payables", which is considered as part of the arrangement of the Disposals, the related impact is included in the estimated loss on the Disposals, accordingly.

(vii) Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon the actual completion of the Disposals.

(c) The adjustment represents the reinstatement of intra-group current-account balances, which have been eliminated at consolidation. In particular, the adjustment on "Amounts due from the Target Companies" comprises amounts due from the Target Companies owned by the Remaining Group of approximately RMB300,146,000 that represents the principal amount of amounts due from the Target Companies.

The amounts due from the Target Companies, as shown in the unaudited pro forma statement of consolidated financial position as at 31 December 2019, restated at amortised cost, calculations of which are as follows:

	Akesu Datang	**Yuepuhu Gaoke**	**Heshuo Hengxin**	**Tulufan Lianxing**	**Wensu Riyuehui**	**Hejing Yixin**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Principal amounts of amounts due from the Target Companies owned by the Remaining Group	55,723	52,494	41,926	29,999	51,042	68,962	300,146
Adjustments to amortised cost	(994)	(732)	(585)	(419)	(712)	(962)	(4,404)
Amounts due from the Target Companies — amortised cost	**54,729**	**51,762**	**41,341**	**29,580**	**50,330**	**68,000**	**295,742**

The amortised cost of the amounts due from the Target Companies are reassessed by management of the Remaining Group based on (i) the expected future cash flows based on their expected timing, amount which are conditional to the completion of the Disposals and certain conditions and are subject to adjustment from the result of transitional period audit based on the date of the disposals of the Target Companies to be performed by the PRC local auditor of the relevant Target Companies as stipulated in the relevant SPAs, and manner of repayment with reference to the terms and conditions as described in "Repayment of Relevant Payables" in this circular; and (ii) the use of an applicable discount rate that reflects the specific credit risk of each of the Target Companies.

Pursuant to relevant SPAs, the Target Companies shall use their own financial resources or borrowings from the Purchaser to repay the aforesaid Relevant Payables, which are determined based on the actual amounts due from the Target Companies owned by the Group as at the date of completion of the Disposals. In the event that the Target Companies were unable to settle the Relevant Payables, the Purchaser shall be responsible for paying the remaining amounts. Having considered the financial resources of the Purchaser and its ultimate beneficial owner, the Directors considered that the Target Companies, failing which the Purchaser, should be financially capable to settle the Relevant Payables according to the conditions and timeline as set out in relevant SPAs and detailed in this circular.

(d) The estimated costs and expenses, including stamp duty of RMB91,000 and professional fee of RMB5,224,000 directly incurred for the Disposals that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposals.

Stamp duty is payable on the transfer of equity interest of the Target Companies at a rate of 0.05% on Consideration that stated in the SPAs. The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the actual completion of the Disposals. Professional fee is incurred by the Company for the Disposals and the amount is subject to change upon the actual completion of the Disposals.

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

(e) 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 2019 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019.

3. The following pro forma adjustments have been made to the unaudited pro forma 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 2019, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019. **The Company would like to draw the attention of the investors and other users of this circular that the completion of the disposals of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that 6 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the SPA of each individual entity are fulfilled, might or might not be able to dispose of each of the 6 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.**

(a) The adjustments represent the exclusion of the results and cash flows of each of the Target Companies for the year ended 31 December 2019, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019. The results and cash flows of each of the Target Companies for the year ended 31 December 2019 are extracted from the unaudited condensed statement of profit or loss and other comprehensive income and the unaudited condensed statement of cash flows of each of the Target Companies set out in Appendix II to this circular.

(b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019 and is calculated as follows:

		Notes	Akesu Datang RMB'000	Yuepuhu Gaoke RMB'000	Heshuo Hengxin RMB'000	Tulufan Lianxing RMB'000	Wensu Riyuehui RMB'000	Hejing Yixin RMB'000	Total RMB'000
Cash consideration	A	*(i)*	28,508	8,194	67,689	14,940	19,730	42,079	181,140
Carrying amount of net assets of the Target Companies		*(ii)*	42,397	39,382	94,093	42,605	38,086	88,271	344,834
Add: Carrying amount of capitalised borrowing costs for qualifying assets at group level		*(iii)*	6,163	2,472	4,918	1,560	7,455	6,015	28,583
Adjusted Carrying amount of net assets of the Target Companies	B		48,560	41,854	99,011	44,165	45,541	94,286	373,417
Original unamortised fair value adjustment of amounts due from Target Companies	C	*(iv)*	(31,792)	(29,826)	(21,135)	(29,604)	(26,996)	(36,284)	(175,637)
Modification gain due to change in expected cash flow	D	*(v)*	30,761	29,062	20,593	28,845	26,304	35,354	170,919
Estimated loss charged to profit or loss	E = A–B + C + D	*(vi)*	**(21,083)**	**(34,424)**	**(31,864)**	**(29,984)**	**(26,503)**	**(53,137)**	**(196,995)**

Notes:

(i) Pursuant to the SPAs, the aggregate Consideration for the Disposals is RMB181,140,000, details of the consideration for each of the Target Companies are set out in the table above. The Directors assumed the Consideration would be received within twelve months upon the completion of the Disposals. Therefore, for the purpose of the preparation of unaudited pro forma condensed statement of cash flows, the Consideration for the Disposals is assumed to be fully collected during the year ended 31 December 2019, which is based on the satisfaction of relevant conditions pursuant to the SPA.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 1 January 2019 which is extracted from the unaudited condensed statement of financial position of each of the Target Companies as at 31 December 2018 as set out in Appendix II to this circular.

(iii) The amount represents the cumulative borrowing costs incurred by the Remaining Group up to 1 January 2019 that were directly attributable to the construction or production of the Target Companies' solar power plants (i.e., qualifying asset) and having been capitalised as part of the cost of the solar power plants at group level. Such borrowings advanced by the Remaining Group to each of the Target Companies were unsecured, interest free and repayable on demand, thus they were recorded at current liabilities at its principal amount at the entity level of each of the Target Companies as set out in Appendix II to this circular, without recording any accreted interest. Accordingly, in deriving the Group's loss on the disposals of Target Companies, the corresponding cumulative borrowing costs capitalised at group level up to 1 January 2019 were added back to the carrying amount of net assets of the Target Companies.

(iv) The amounts represent the original fair value adjustment of amounts due from Target Companies on 1 January 2019. The amounts due from the Target Companies are determined on initial recognition date based on (i) the original estimated future cash flows, as determined to be approximately 10 years for settlement in full from the date of advances and (ii) the applicable discount rates that reflect the specific credit risk of each of the Target Companies, which is known as the original effective interest rate. The cumulative imputed interest income recognised up to the completion of the Disposals by the Remaining Group is released to profit or loss.

(v) Upon completion of the Disposals, the Directors considered that the estimated future cash flows of amounts due from the Target Companies had been changed, which was different from its original estimate of repayment on the initial recognition date, and revised based on (i) the revised estimated future cash flows with reference to the terms and conditions as described and defined in "Repayment of Relevant Payables" in this circular, which will be settled by each of the Target Companies in 3 to 4 tranches, or the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment; and as assessed by the management of the Remaining Group, will be within 1 year after the Completion of the Disposals; and (ii) the use of original effective interest rate. Amounts due from the Target Companies was therefore remeasured on 1 January 2019, by discounting the revised estimated cash flows at original effective interest rate, and resulted in an increase in its carrying amount with a corresponding modification gain credited to profit or loss. Since the change of estimated future cash flow is revised in accordance with the terms of "Payment of Relevant Payables", which is considered as part of the arrangement of the Disposals, the related impact is included in the estimated loss on the Disposals, accordingly.

(vi) Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon actual completion of the Disposals.

(c) The adjustment represents the imputed interest income arising from amounts due from the Target Companies for the year ended 31 December 2019 using effective interest rate method.

(d) The adjustment represents the reversal of additional depreciation and impairment loss, arising from the borrowing costs capitalised in each of the Target Companies' solar power plants (ie., qualifying assets), recognised at consolidation, since it was assumed that the Disposals had been completed on 1 January 2019 when preparing the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2019.

(e) The adjustment represents the reinstatement of intra-group cash flows between the Target Companies and the Remaining Group, which had been eliminated at consolidation, when preparing the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2019.

(f) When preparing the unaudited pro forma financial information of the Remaining Group for the year ended 31 December 2019, pursuant to the relevant SPAs, the relevant payables, which was recognised as "Amounts due from the Target Companies" by the Remaining Group, owed by the Target Companies to the Vendors (as defined as the "Relevant Payables" and detailed in this circular) should be settled in three tranches with certain conditions (except for Akesu Datang, which should be settled in four tranches). The Directors assumed that these conditions would be met within twelve months upon the completion of the Disposals, therefore, for the purpose of the preparation of unaudited pro forma condensed consolidated statement of cash flows, the aggregate amount of the Relevant Payables totaling RMB322,616,000 was assumed to be fully collected during the year ended 31 December 2019.

(g) The estimated costs and expenses, including stamp duty of RMB91,000 and professional fee of RMB5,135,000 directly incurred for the Disposals that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposals.

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

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

(h) 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 2019 for the purpose of preparation of the unaudited pro forma 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 2019.

(i) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group.

The following is the text of a report, set out on pages III-19 to III-22 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.

B. 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 (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages III-1 to III-18 of the circular issued by the Company dated 15 June 2020 (the "Circular") in connection with the disposals of the entire equity interests in certain of its subsidiaries, including i) Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司) ("Akesu Datang"), ii) Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司) ("Yuepuhu Gaoke"), iii) Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司) ("Heshuo Hengxin"), iv) Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司) ("Tulufan Lianxing"), v) (Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司) ("Wensu Riyuehui") and vi) Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) ("Hejing Yixin") (collectively referred to as the "Target Companies"), which in aggregate constitute a very substantial disposal transaction (the "Disposals"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-18 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the disposals of the Target Companies on the Group's financial position as at 31 December 2019 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Disposals had taken place at 31 December 2019 and 1 January 2019 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2019, on which an auditor's report with disclaimer of opinion has been published.

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

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 " ("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 ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) 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 have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 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 2019 or 1 January 2019 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 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

15 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS OF THE POST 2019 DISPOSAL REMAINING GROUP

Set out below is the management discussion and analysis of the operation results and business review of the Post 2019 Disposal Remaining Group for the three years ended 31 December 2017, 2018 and 2019.

The Remaining Business immediately after the Disposals comprises (i) the PRC Power Generation Business with on grid capacity of approximately 868MW and (ii) the LED Business.

FOR THE YEAR ENDED 31 DECEMBER 2017

Solar power generation

During the year ended 31 December 2017, the solar power plants owned by the Post 2019 Disposal Remaining Group generated an aggregate of approximately 788,377MWh.

	For the year ended 31 December		
	2017	**2016**	**% of Changes**
	MWh	*MWh*	
Power generation volume	788,377	567,273	39.0%

As at 31 December 2017, the Post 2019 Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 864MW 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 million or 14.3% from RMB280 million for the year ended 31 December 2016 to RMB320 million for the year ended 31 December 2017.

Business review

For the year ended 31 December 2017, the revenue of the Post 2019 Disposal Remaining Group was approximately RMB954 million, of which approximately 66.5% was primarily attributable to the solar power generation and sale of electricity to third party customers (including the State Grid) and approximately 33.5% was attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB102 million, or 12.0%, from RMB852 million for the year ended 31 December 2016, primarily attributable to the fact that most of the solar power plants of the Post 2019 Disposal Remaining Group that completed on-grid connection before 2017 have completed testing and commenced operation in 2017 and thus generated revenue from power generation 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 Post 2019 Disposal Remaining Group decreased by approximately RMB23 million, or 3.4%, from approximately RMB668 million for the year ended 31 December 2016 to approximately RMB645 million for the year ended 31 December 2017, primarily attributable to the optimised products in the LED Business, as a result of which the gross profit of the Post 2019 Disposal Remaining Group was approximately RMB309 million.

For the year ended 31 December 2017, the other income of the Post 2019 Disposal Remaining Group for the year ended 31 December 2017 was approximately RMB172 million, which consists of, among other things, the government grants of approximately RMB118 million and bank interest income of approximately RMB5 million.

For the year ended 31 December 2017, other gains and losses and other expenses of the Post 2019 Disposal Remaining Group recorded a net loss of approximately RMB118 million. The net other gains and losses and other expenses of the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group was approximately RMB14 million, which primarily consist of the shipment costs of LED products. For the year ended 31 December 2017, the administrative expenses of the Post 2019 Disposal Remaining Group was approximately RMB232 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB78 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 Post 2019 Disposal 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 Post 2019 Disposal Remaining Group was approximately RMB1 million.

For the year ended 31 December 2017, the finance costs of the Post 2019 Disposal Remaining Group was approximately RMB1,132 million, which primarily consists of interest on the borrowing of approximately RMB6,967 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 Post 2019 Disposal Remaining Group was approximately RMB1,063 million.

The loss of the Post 2019 Disposal Remaining Group for the year ended 31 December 2017 was primarily attributable to the finance costs of approximately RMB1,132 million.

Solar power plants

As at 31 December 2017, the principal assets of the Post 2019 Disposal Remaining Group were the solar power plants, the carrying value of which was approximately RMB6,625 million.

Liquidity, financial resources and capital structure

As at 31 December 2017, the net asset value of the Post 2019 Disposal Remaining Group was approximately RMB3,067 million.

As at 31 December 2017, the total assets of the Post 2019 Disposal Remaining Group were approximately RMB15,242 million, of which the non-current assets were approximately RMB12,758 million and the current assets were approximately RMB2,484 million.

As at 31 December 2017, the total liabilities of the Post 2019 Disposal Remaining Group were approximately RMB12,175 million, of which the non-current liabilities were approximately RMB3,401 million and the current liabilities were approximately RMB8,774 million.

The Post 2019 Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post 2019 Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 260.9% as at 31 December 2016 to 305.9% as at 31 December 2017.

Treasury policies

The Post 2019 Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 31 December 2017.

The Post 2019 Disposal Remaining Group has always adopted a prudent treasury management policy. The Post 2019 Disposal Remaining Group places a 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 its future development demands for capital. As at 31 December 2017, the Post 2019 Disposal Remaining Group was in a negative net cash position of approximately RMB9,382 million, which included cash and cash equivalents of approximately RMB144 million and bank and other borrowings of RMB6,967 million, convertible bonds of RMB1,511 million, bonds payable of RMB1,045 million and obligation under finance leases of RMB3 million.

Financing activities

During year ended 31 December 2017, the Post 2019 Disposal 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, (i) the bank balances and cash and (ii) restricted bank deposits of the Post 2019 Disposal Remaining Group were approximately RMB144 million and approximately RMB576 million, respectively.

Inventories

As at 31 December 2017, the inventories of the Post 2019 Disposal Remaining Group were 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 were approximately RMB1,303 million, which primarily comprise 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 Post 2019 Disposal Remaining Group was approximately RMB6,967 million, of which the current amount of borrowings was approximately RMB4,653 million and the non-current amount of borrowings was approximately RMB2,314 million. The current amount of borrowings primarily consists of the Sino Alliance Facility of approximately RMB2,090 million, the loans from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) 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 RMB1,614 million. The non-current amount of borrowings primarily consists of long-term loans of the PRC Power Generation Business of approximately RMB2,284 million and those of the LED Business of approximately RMB30 million.

Derivative financial liabilities

As at 31 December 2017, the derivative financial liability of the Post 2019 Disposal Remaining Group was approximately RMB3 million, which primarily consists 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 Post 2019 Disposal 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 consists 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 consists 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.

Bonds payables

As at 31 December 2017, the total amount of bonds payables by the Post 2019 Disposal 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 Photovoltaic Investments. There was no non-current amount of bonds payable by the Post 2019 Disposal Remaining Group as at 31 December 2017.

Current ratio

As at 31 December 2017, the current ratio of the Post 2019 Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.3.

Capital commitments

The Post 2019 Disposal 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 Post 2019 Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group as at 31 December 2017.

Employees and remuneration policies

As at 31 December 2017, the total number of employees of the Post 2019 Disposal Remaining Group was 1,103.

For the year ended 31 December 2017, the staff costs of the Post 2019 Disposal Remaining Group was approximately RMB105 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 Post 2019 Disposal Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB443 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB4,738 million to various banks for securing loans and general credit facilities granted to the Post 2019 Disposal Remaining Group.

As at 31 December 2017, the Post 2019 Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB576 million to banks to secure banking credit facilities granted to the Post 2019 Disposal Remaining Group.

Save as disclosed above, as at 31 December 2017, none of the other assets of the Post 2019 Disposal Remaining Group was pledged in favour 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 Post 2019 Disposal Remaining Group to foreign exchange risk. The Post 2019 Disposal 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 Post 2019 Disposal 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 recognised as provision in the statement of financial position. As at 31 December 2017, save as disclosed above, the Post 2019 Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group generated an aggregate of approximately 923,840MWh.

	For the year ended 31 December		
	2018	**2017**	**% of Changes**
	MWh	*MWh*	
Power generation volume	923,840	788,377	17.2%

As at 31 December 2018, the Post 2019 Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 864MW 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 4.7% 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 Post 2019 Disposal Remaining Group was approximately RMB1,034 million, of which approximately 67.6% was primarily attributable to the solar power generation and sale of electricity to third party customers (including the State Grid), approximately 32.4% was attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB80 million, or 8.4%, from RMB954 million for the year ended 31 December 2017, primarily attributable to the fact that (i) most of the solar power plants of the Post 2019 Disposal Remaining Group that completed on-grid connection before 2018 have completed testing and commenced operation before 2018 and thus generated revenue from power generation; and (ii) sales revenue from LED products increased by 4.7% 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 Post 2019 Disposal Remaining Group increased by approximately RMB26 million, or 4.0%, from approximately RMB645 million for the year ended 31 December 2017 to approximately RMB671 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 Post 2019 Disposal Remaining Group was approximately RMB363 million.

For the year ended 31 December 2018, the other income of the Post 2019 Disposal Remaining Group for the year ended 31 December 2018 was approximately RMB115 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 RMB15 million.

For the year ended 31 December 2018, other gains and losses and other expenses of the Post 2019 Disposal Remaining Group recorded a net loss of approximately RMB305 million. The net other gains and losses and other expenses of the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group was approximately RMB12 million, which primarily consist of the shipment costs of LED products. For the year ended 31 December 2018, the administrative expenses of the Post 2019 Disposal Remaining Group was approximately RMB219 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB74 million, administrative expenses for the LED Business of approximately RMB94 million and certain other group-level audit, legal, consulting and other related expenses of approximately RMB51 million. For the year ended 31 December 2018, the research and development expenditure of the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group was approximately RMB3 million.

For the year ended 31 December 2018, the finance costs of the Post 2019 Disposal Remaining Group were approximately RMB970 million, which primarily consist of the interest on the borrowing of approximately RMB7,278 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 Post 2019 Disposal Remaining Group was approximately RMB1,222 million.

The loss of the Post 2019 Disposal Remaining Group for the year ended 31 December 2018 was primarily attributable to the finance costs of approximately RMB970 million.

Solar power plants

As at 31 December 2018, the principal assets of the Post 2019 Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB6,309 million.

Liquidity, financial resources and capital structure

As at 31 December 2018, the net asset value of the Post 2019 Disposal Remaining Group was approximately RMB2,723 million.

As at 31 December 2018, the total assets of the Post 2019 Disposal Remaining Group were approximately RMB14,676 million, of which the non-current assets were approximately RMB12,500 million and the current assets were approximately RMB2,176 million.

As at 31 December 2018, the total liabilities of the Post 2019 Disposal Remaining Group were approximately RMB11,953 million, of which the non-current liabilities were approximately RMB2,689 million and the current liabilities were approximately RMB9,264 million.

The Post 2019 Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post 2019 Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 305.9% as at 31 December 2017 to 355.2% as at 31 December 2018.

Treasury policies

The Post 2019 Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 31 December 2018.

The Post 2019 Disposal Remaining Group has always adopted a prudent treasury management policy. The Post 2019 Disposal Remaining Group places a 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 its future development demands for capital. As at 31 December 2018, the Post 2019 Disposal Remaining Group was in a negative net cash position of approximately RMB9,672 million, which included cash and cash equivalents of approximately RMB115 million, bank and other borrowings of RMB7,278 million, convertible bonds of RMB1,679 million, and bonds payable of RMB830 million.

Financing activities

During year ended 31 December 2018, the Post 2019 Disposal 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, (i) the bank balances and cash and (ii) restricted bank deposits of the Post 2019 Disposal Remaining Group were approximately RMB115 million and approximately RMB340 million, respectively.

Inventories

As at 31 December 2018, the inventories of the Post 2019 Disposal Remaining Group were approximately RMB132 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 were approximately RMB1,403 million, which primarily comprise 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 Post 2019 Disposal Remaining Group was approximately RMB7,278 million, of which the current amount of borrowings was approximately RMB5,591 million and the non-current amount of borrowing was approximately RMB1,687 million. The current amount of borrowings of the Post 2019 Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB2,191 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB859 million, the borrowings of the LED Business of approximately RMB152 million and short-term loans of the PRC Power Generation Business of approximately RMB2,213 million. The non-current amount of borrowings of the Post 2019 Disposal Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB1,679 million and those of the LED Business of approximately RMB8 million.

Derivative financial liability

As at 31 December 2018, the derivative financial liability of the Post 2019 Disposal Remaining Group was approximately RMB3 million, which primarily consists 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 Post 2019 Disposal 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 consists 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 RMB644 million. The non-current amount of convertible bonds primarily consists 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.

Bonds payables

As at 31 December 2018, the total amount of bonds payables by the Post 2019 Disposal 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 Photovoltaic Investments. There was no non-current amount of bonds payable by the Post 2019 Disposal Remaining Group as at 31 December 2018.

Current ratio

As at 31 December 2018, the current ratio of the Post 2019 Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.23.

Capital commitments

The Post 2019 Disposal 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 Post 2019 Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post 2019 Disposal 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 Post 2019 Disposal Remaining Group as at 31 December 2018.

Employees and remuneration policies

As at 31 December 2018, the total number of employees of the Post 2019 Disposal Remaining Group was 888.

For the year ended 31 December 2018, the staff costs of the Post 2019 Disposal Remaining Group was approximately RMB94 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 Post 2019 Disposal Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB957 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB3,434 million to various banks for securing loans and general credit facilities granted to the Post 2019 Disposal Remaining Group.

As at 31 December 2018, the Post 2019 Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB340 million to banks to secure banking credit facilities granted to the Post 2019 Disposal Remaining Group.

Save as disclosed above, as at 31 December 2018, none of the other assets of the Post 2019 Disposal Remaining Group was pledged in favour 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 Post 2019 Disposal Remaining Group to foreign exchange risk. The Post 2019 Disposal 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 Post 2019 Disposal Remaining Group provided guarantees to Independent Third Parties with a total amount of approximately RMB269 million, of which approximately RMB328 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2018, save as disclosed above, the Post 2019 Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post 2019 Disposal Remaining Group for the year ended 31 December 2018.

FOR THE YEAR ENDED 31 DECEMBER 2019

Solar Power Generation

During the year ended 31 December 2019, the solar power plants owned by the Post 2019 Disposal Remaining Group generated an aggregate of approximately 987,540MWh.

	For the year ended 31 December		
	2019	**2018**	**% of Changes**
	MWh	*MWh*	
Power generation volume	987,540	923,840	6.9%

As at 31 December 2019, the Post 2019 Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 860MW 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 RMB29 million or 8.7% from RMB335 million for the year ended 31 December 2018 to RMB364 million for the year ended 31 December 2019.

Business review

For the year ended 31 December 2019, the revenue of the Post 2019 Disposal Remaining Group was approximately RMB1,102 million, of which approximately 67.0% was primarily attributable to the solar power generation and sale of electricity to third party customers (including the State Grid), approximately 33.0% was attributable to the sale of LED products to third party customers.

Revenue increased by approximately RMB68 million, or 6.6%, from RMB1,034 million for the year ended 31 December 2018, primarily attributable to the fact that (i) most of the solar power plants of the Post 2019 Disposal Remaining Group that completed on-grid connection before 2018 have completed testing and commenced operation before 2018 and thus generated revenue from power generation; and (ii) sales revenue from LED products increased by 8.7% from RMB335 million for the year ended 31 December 2018 to RMB364 million for the year ended 31 December 2019.

For the year ended 31 December 2019, the cost of sales of the Post 2019 Disposal Remaining Group decreased by approximately RMB18 million, or 2.7%, from approximately RMB671 million for the year ended 31 December 2018 to approximately RMB653 million for the year ended 31 December 2019, primarily attributable to the increase in power generation volume of solar power generation business, as a result of which the gross profit of the Post 2019 Disposal Remaining Group was approximately RMB449 million.

For the year ended 31 December 2019, the other income of the Post 2019 Disposal Remaining Group was approximately RMB79 million, which consists of, among other things, the government grants of approximately RMB65 million and imputed interest income of accrued revenue on tariff subsidy of approximately RMB24 million.

For the year ended 31 December 2019, other gains and losses and other expenses of the Post 2019 Disposal Remaining Group recorded a net loss of approximately RMB1,484 million. The net other gains and losses and other expenses of the Post 2019 Disposal 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 2019, the distribution and selling expenses of the Post 2019 Disposal Remaining Group was approximately RMB10 million, which primarily consist of the shipment costs of LED products. For the year ended 31 December 2019 the administrative expenses of the Post 2019 Disposal Remaining Group was approximately RMB182 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB71 million, administrative expenses for the LED Business of approximately RMB56 million and certain other group-level audit, legal, consulting and other related expenses of approximately RMB55 million. For the year ended 31 December 2019, the research and development expenditure of the Post 2019 Disposal Remaining Group was approximately RMB60 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 2019, the share of loss of associates of the Post 2019 Disposal Remaining Group was approximately RMB1 million.

For the year ended 31 December 2019, the finance costs of the Post 2019 Disposal Remaining Group were approximately RMB956 million, which primarily consist of the interest on the borrowing of approximately RMB6,774 million, interest on the current bonds payables of approximately RMB825 million and interest on convertible bonds of approximately RMB501 million.

As a result of the factors above, for the year ended 31 December 2019, the loss for the year of the Post 2019 Disposal Remaining Group was approximately RMB2,254 million.

The loss of the Post 2019 Disposal Remaining Group for the year ended 31 December 2019 was primarily attributable to the finance costs of approximately RMB956 million.

Solar power plants

As at 31 December 2019, the principal assets of the Post 2019 Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB5,767 million.

Liquidity, financial resources and capital structure

As at 31 December 2019, the net asset value of the Post 2019 Disposal Remaining Group was approximately RMB375 million.

As at 31 December 2019, the total assets of the Post 2019 Disposal Remaining Group were approximately RMB12,828 million, of which the non-current assets were approximately RMB7,057 million and the current assets were approximately RMB5,771 million.

As at 31 December 2019, the total liabilities of the Post 2019 Disposal Remaining Group were approximately RMB12,453 million, of which the non-current liabilities were approximately RMB2,368 million and the current liabilities were approximately RMB10,085 million.

The Post 2019 Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post 2019 Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 355.2% as at 31 December 2018 to 2,137.6% as at 31 December 2019.

Treasury policies

The Post 2019 Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 31 December 2019.

The Post 2019 Disposal Remaining Group has always adopted a prudent treasury management policy. The Post 2019 Disposal Remaining Group places a 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 its future development demands for capital. As at 31 December 2019, the Post 2019 Disposal Remaining Group was in a negative net cash position of approximately RMB8,016 million, which included cash and cash equivalents of approximately RMB84 million, bank and other borrowings of RMB6,774 million, convertible bonds of RMB501 million, and bonds payable of RMB825 million.

Financing activities

During year ended 31 December 2019, the Post 2019 Disposal Remaining Group continued to receive support from financial institutions to fund the development of the PRC Power Generation Business and LED Business. In 2019, 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 2019, (i) the bank balances and cash and (ii) restricted bank deposits of the Post 2019 Disposal Remaining Group were approximately RMB84 million and approximately RMB67 million, respectively.

Inventories

As at 31 December 2019, the inventories of the Post 2019 Disposal Remaining Group were approximately RMB92 million, which primarily comprises raw materials, work-in-progress and finished goods in the LED Business.

Trade and other receivables

As at 31 December 2019, the trade and other receivables were approximately RMB2,297 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 31 December 2019, the total amount of borrowings of the Post 2019 Disposal Remaining Group was approximately RMB6,774 million, of which the current amount of borrowings was approximately RMB4,887 million and the non-current amount of borrowing was approximately RMB1,887 million. The current amount of borrowings of the Post 2019 Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB1,165 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB878 million, the borrowings of the LED Business of approximately RMB145 million and short-term loans of the PRC Power Generation Business of approximately RMB2,014 million. The non-current amount of borrowings of the Post 2019 Disposal Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB1,887 million.

Derivative financial liability

As at 31 December 2019, the derivative financial liability of the Post 2019 Disposal Remaining Group was approximately RMB6 million, which primarily consists of the financial liabilities arising from the revaluation of the warrants in respect of Lattice Power.

Convertible bonds

As at 31 December 2019, the total amount of convertible bonds of the Post 2019 Disposal Remaining Group was approximately RMB501 million, of which the current amount of convertible bonds was approximately RMB37 million and the non-current amount of convertible bonds was approximately RMB464 million. The current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB36 million, the second tranche convertible bonds of approximately RMB1 million. The non-current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB25 million, the second tranche convertible bonds of approximately RMB370 million and the third tranche convertible bonds of approximately RMB69 million.

Bonds payables

As at 31 December 2019, the total amount of bonds payables by the Post 2019 Disposal Remaining Group was approximately RMB825 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB825 million issued from Shunfeng Photovoltaic Investments. There was no non-current amount of bonds payable by the Post 2019 Disposal Remaining Group as at 31 December 2019.

Current ratio

As at 31 December 2019, the current ratio of the Post 2019 Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.57.

Capital commitments

The Post 2019 Disposal Remaining Group had no capital commitment in relation to the construction-in-progress of PRC Power Generation Business as at 31 December 2019.

Hedging

The Post 2019 Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post 2019 Disposal 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 by the Post 2019 Disposal Remaining Group as at 31 December 2019.

During the year ended 31 December 2019:

- as disclosed in the Company's announcement dated 25 March 2019 and circular dated 30 June 2019, on 10 December 2018 (after trading hours), Shunfeng Photovoltaic Holdings (a direct wholly-owned subsidiary of the Company) entered into a sales and purchase agreement (as amended and supplemented on 24 March 2019) with Asia Pacific Resources, pursuant to which Shunfeng Photovoltaic Holdings agreed to sell 100% of the equity interest in Jiangsu Shunfeng Photovoltaic Technology Company Limited at an aggregate consideration of RMB3,000 million; and

- as disclosed in the Company's announcement dated 26 November 2019 and circular dated 29 December 2019, on 15 November 2019 (after trading hours), Jiangxi Shunfeng, Shanghai Shunneng and Shijiazhuang Yakai (each a wholly-owned subsidiary of the Company and as the case may, the vendors) entered into 11 sale and purchase agreements with the 2019 Disposal Purchaser, pursuant to which the vendors conditionally agreed to sell, and the 2019 Disposal Purchaser conditionally agreed to purchase, the equity interests in 2019 Subject Companies at an aggregate consideration of RMB641.42 million.

Employees and remuneration policies

As at 31 December 2019, the total number of employees of the Post 2019 Disposal Remaining Group was 1,034.

For the year ended 31 December 2019, the staff costs of the Post 2019 Disposal 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 2019, the Post 2019 Disposal Remaining Group had pledged certain trade and bills receivables with carrying amount of approximately RMB1,179 million and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB2,918 million to various banks for securing loans and general credit facilities granted to the Post 2019 Disposal Remaining Group.

As at 31 December 2019, the Post 2019 Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB67 million to banks to secure banking credit facilities granted to the Post 2019 Disposal Remaining Group.

Save as disclosed above, as at 31 December 2019, none of the other assets of the Post 2019 Disposal Remaining Group was pledged in favour 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 Post 2019 Disposal Remaining Group to foreign exchange risk. The Post 2019 Disposal 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 2019, the Post 2019 Disposal Remaining Group provided guarantees to Independent Third Parties and a related party with a total amount of approximately RMB307.1 million, of which approximately RMB177.1 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2019, save as disclosed above, the Post 2019 Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post 2019 Disposal Remaining Group for the year ended 31 December 2019.

OUTLOOK AND FUTURE PROSPECTS

Please refer to the section headed "Financial and Trading Prospects of Post 2019 Disposal Remaining Group" in the letter from the Board for the outlook and future prospects of the Post 2019 Disposal Remaining Group.

AVISTA Valuation Advisory
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6 March 2020

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 Business Enterprise Value of 6 Solar Power Plants

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a fair value valuation in connection with the business enterprise value of 6 solar power plants (the "**Targets**") as of 30 September 2019 (the "**Valuation Date**"). We understand that Shunfeng International Clean Energy Limited (the "**Company**", "**SFCE**" or "**you**") intends to dispose the entire shareholding of the Targets (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 and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of the business enterprise of the Targets.

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.

In this appraisal, business enterprise is referring to the total invested capital which represents a combination of long-term debts, shareholders' loans and equity. It is derived from free cash flow to firm rather than free cash flow to equity holders. The business enterprise value measures the total value of all long-term operating assets (e.g. solar power plant, solar modules, other machines and equipment, etc.), intangible assets and net working capital (e.g. trade receivables, trade payables and income tax payables, etc.) of the Targets. For details, please refer to the "Income Approach" section.

COMPANY BACKGROUND

SFCE operates its solar power generation business mainly in the People's Republic of China (the "**PRC**"). It is principally engaged in (i) the provision of solar power generation; (ii) the provision of plant operation and services; and (iii) the provision of manufacturing and sales of light-emitting diode products.

The Targets are referring to the 6 solar power plants owned by SFCE with an aggregate production capacity of 140 megawatts ("**MW**"). They are mainly located at Xinjiang province of the PRC.

We understand that the Company intends to dispose the entire equity interest of the Targets. As such, the Company would like to assess the fair value of the business enterprise of the Targets 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 Targets, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Targets to understand the history, business model, operations, business development plan, etc. of the Targets 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 Targets 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 Targets; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions and conclusion of value.

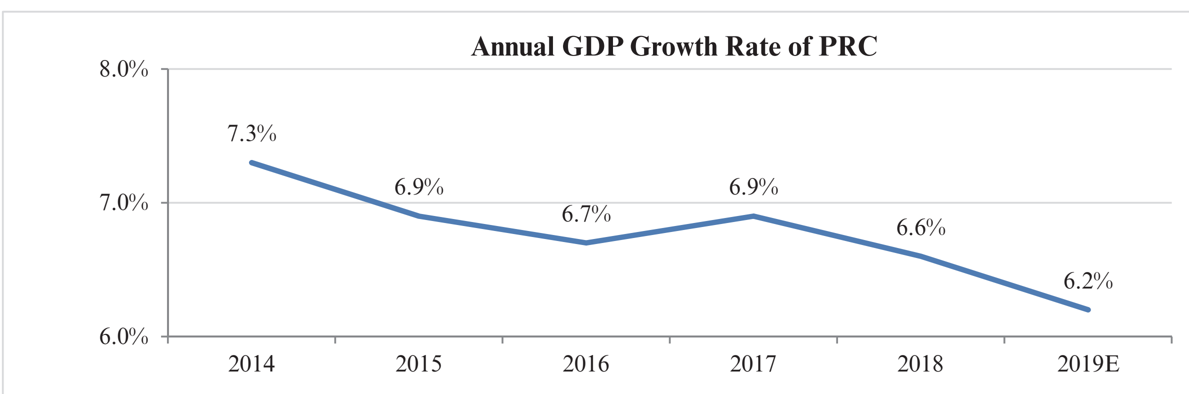
When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Targets and their authorized representatives.

INDUSTRY OVERVIEW

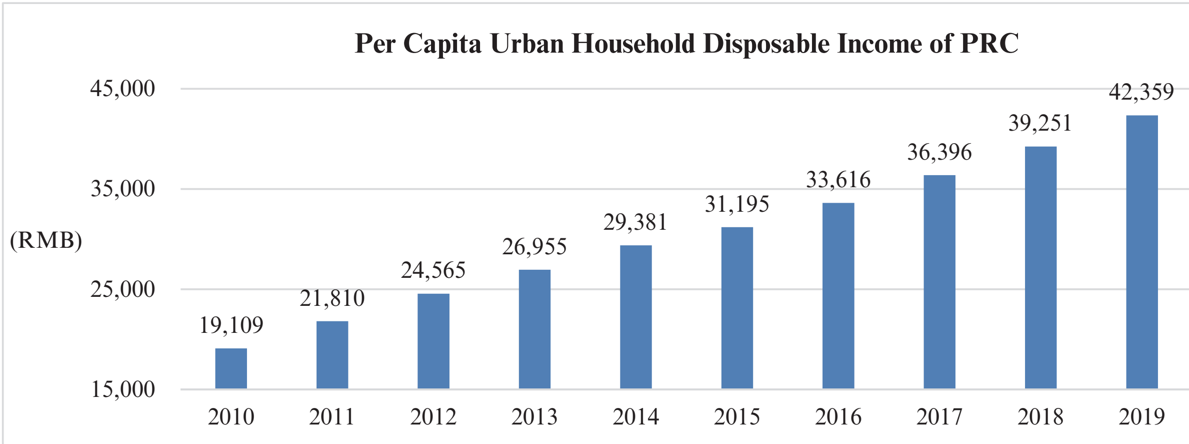
Overview of the PRC economy

According to the World Bank, the gross domestic product ("**GDP**") growth rate of the PRC has been slowing down for years. In 2017, the China economy achieved its first acceleration in 7 years, but was appeared to be slowing down again thereafter. The year-on-year GDP growth rate of the PRC reached 6.6% in 2018 which was 0.3% lower than figure in 2017 and marked the slowest pace since 1990. Despite the slowdown, the 2018 GDP growth was still able to attain the target GDP growth of 6.5% that was set by the PRC government.

In 2018, the GDP of the PRC reached an approximate level of RMB90 trillion which was majorly contributed by the service sector as it accounted for over 50% of the total GDP. According to the National Bureau of Statistics, the urban household disposable income per capita of the PRC in 2019 was recorded at RMB42,359 which represents a compound annual growth rate ("**CAGR**") of 9.2% from 2010, reflecting the increasing purchasing power of the PRC citizens.



(Source: The World Bank)

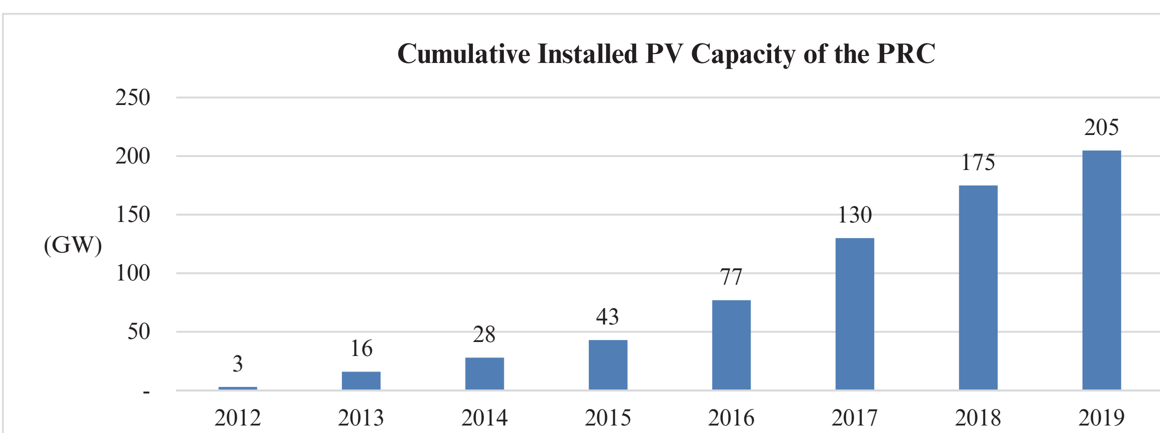


(Source: The National Bureau of Statistics)

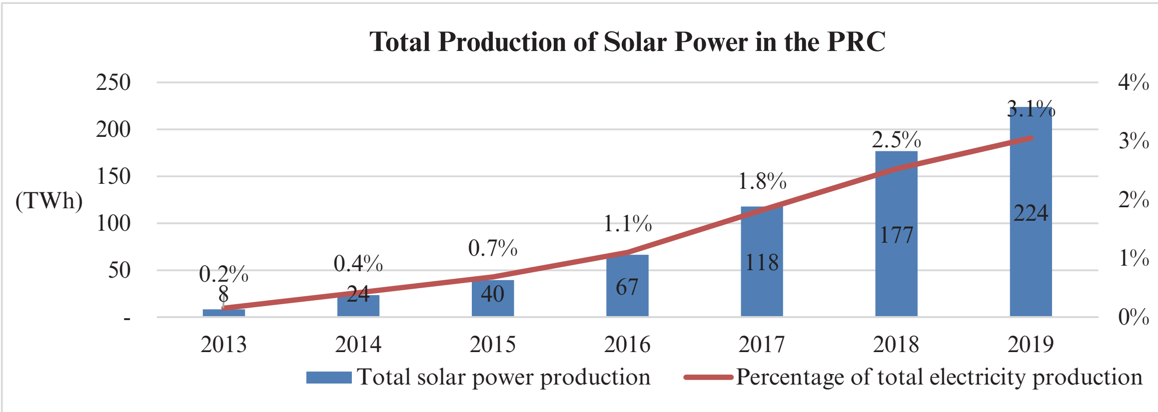
Overview of the Solar Power Generation in the PRC

Along the industrial chain of the solar business, the downstream of the solar industry is mainly referring to the generation of solar power. According to the National Energy Administration of China ("**NEA**"), the solar industry has grown rapidly and China has become the largest producer of solar power in the world. The cumulative installed photovoltaic ("**PV**") capacity of the PRC attained 175 gigawatts ("**GW**"). in 2018 and reached to an approximate level of 205 GW in 2019, representing a growth rate of 17.1% within a 1-year time frame.

According to the China Electricity Council, the total solar power generated in China increased from 8 terawatt-hours ("**TWh**") in 2013 to 223.8 TWh in 2018, experiencing a CAGR of 74.2% throughout the period. In 2019, 3.1% of the total electricity was generated by solar power and it is expected to grow in the future along with the policy of the PRC.



(Source: NEA)

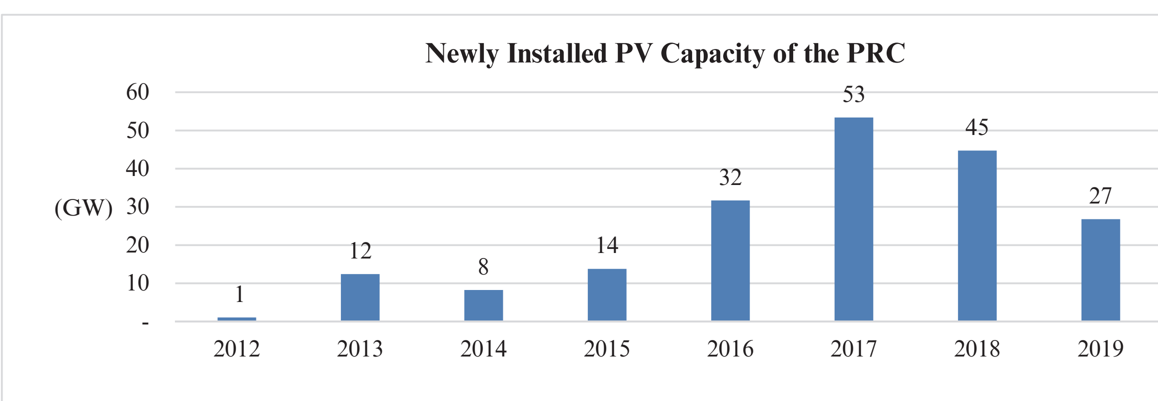


(Source: China Electricity Council)

Overview of the PRC Policy toward Solar Industry

Announced by the National Development and Reform Commission, the Ministry of Finance and the NEA on 31 May 2018, a new policy was executed to trim down subsidies to 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. Specifically, the feed-in tariffs of newly approved ordinary utility-scale solar farms in Zone I, II and III was reduced by RMB0.05 kilowatt per hour ("**kWh**") to RMB0.5/kWh, RMB0.6/kWh and RMB0.7/kWh respectively; the subsidy provided to newly approved distributed generation projects reduced by RMB0.05/kWh to RMB0.32/kWh. It aims to phase out old companies that are subsidy-dependent and consolidate the market with only companies holding certain degree of technological advancement and cost efficiency to thrive.

The 531 Policy has effectively put a hold on the newly PV capacity installations. According to the China Electricity Council, the volume of newly installed PV capacity in the PRC decreased from 53.4 GW in 2017 to 26.8 GW in 2019, recorded a decrease of 49.8% over the period.



(Source: China Electricity Council)

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 to the respective shareholders of the Company and the Targets).

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 Targets and the financial projections of the Targets (the "**Projection**") as of 30 September 2019 provided by the management of the Company (the "**Management**"), 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 Targets will be operated with the corporate structure and operation model as projected by the Management;
- The financial and operating results of the Targets;
- The economic outlook in general and the specific economic and competitive elements affecting the Targets' businesses, their industry and their market;
- The nature and prospects of the industry of the Targets are operating;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- The stage of development of the Targets' operation; and
- The business risks of the Targets.

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 major changes in the existing political, legal, fiscal and economic conditions in the countries that the Targets are operating;
- There will be no major changes in the current taxation law in the country that the Targets is operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the Management;
- The availability of finance will not be a constraint on the forecast growth of the Targets' operation in accordance with the Projection;
- The Targets will retain and have competent management, key personnel, and technical staff to support their ongoing operation; and
- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the business enterprise of the Targets, namely Income Approach, Asset Based Approach and Market Approach. All three of them have been considered regarding the valuation of the Targets:

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. 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.
Asset Based Approach	The Asset Based 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 business enterprise of the Targets, we applied the Income Approach due to the following reasons:

- Asset Based Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Targets 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, Asset Based 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. Due to the uniqueness of location, different remaining economic lives of the Targets and the limited sample size, we have not identified sufficient market transactions or public listed companies directly comparable to the Targets. Hence, the market approach is only adopted for cross-checking to the valuation result of Income Approach.

- Under Income Approach, the value is dependent on the present value of future economic benefits such as cost savings, periodic income, or sale proceeds. This method factors in the specific considerations surrounding the Proposed Disposal and produces more relevant valuation results. Given Market Approach and Asset Based Approach are not appropriate and the Management has provided us the Projection with explainable bases, the value derived from Income Approach is considered appropriate for the valuation purpose.

Income Approach

DCF method of Income Approach was adopted to appraise the fair value of the business enterprise of the Targets. The business enterprise value depends on the present value of future economic benefits to be derived from ownership of the enterprise. 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.

Given that the Targets are project companies with varying capital structure throughout the respective operation period due to the debt repayment or additional financing, it is impractical to assume a stable long-term debt-to-equity ratio in the derivation of weighted average cost of capital ("**WACC**"). In this valuation, we use the adjusted present value ("**APV**") method to determine the business enterprise value of the project companies, which can exclude the impact of change in capital structure over the operation period. Under APV method, the value of an unlevered firm is measured by discounting projected free cash flows to enterprise with the assumption that the firm is solely financed by equity, plus the present value of any financing benefit (e.g. tax shield). The projected free cash flows to enterprise is discounted by an equity-financing discount rate or required return on asset (the "**Asset Discount Rate**") which can be named as intrinsic value (the "**Intrinsic Value**"). The Intrinsic Value then adds the present value of tax shield effect in relation to tax deduction benefit due to interest payment on financing arrangement to arrive at the fair value of the business enterprise of the Targets.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

To determine the future cash flow derived from the Targets, we relied on the Projection provided by the Management. We have performed high-level analysis and review on the Projection and discussed with the Management about the reasonableness and validity of the Projection. Brief descriptions on major assumptions of the Projection have been shown below:

(1) Projection Period

Projection period was determined based on the respective economic useful lives of the Targets, which is estimated to be 25 years since the launch of the solar power plant in accordance with the respective feasibility studies of the Targets. FIT will be applied to solar power industry for 20 years since the operation commencement date of the power plant. On the other hand, the Targets are projected to have positive earnings before interests, taxes, depreciation and amortization expenses ("**EBITDA**") subsequent to the end of tariff subsidy period. Thus, the projection period covers the entire operation period from the Valuation Date to the end of the respective economic useful lives of the solar power plants as suggested by the feasibility studies.

(2) Revenue

Revenue of the Targets is mainly sourced from the provision of solar power generation, which is derived by multiplying the electricity tariff with the power output generated.

Electricity tariff

The electricity tariff is comprised of (i) feed-in tariff ("**FIT**") and (ii) on-grid electricity tariff. FIT refers to the subsidy price per power output guaranteed by the government which varies across different regions. According to the PRC policy, FIT will be applied to the solar power industry with a coverage of 20 years since the operation commencement date of the power plant. On-grid electricity tariff is referring to the standard price per power output set out by the local government.

Since the FIT is fixed and guaranteed by the government, the Management projected the FIT at constant level for 20 years since the commencement of the respective projects. For the on-grid electricity tariff, it is projected based on the actual historical on-grid electricity tariff received from local government, with an annual growth rate of 3% in the projection period, assumed based on the historical average annual inflation rate in China.

Power generation output

Power output generated is mainly attributed by the power capacity of the Targets, which is 140MWh in total. The actual power generation output also depends on (i) the effective power generation hours per annum and (ii) the efficiency of the PV system.

The effective power generation hours are closely related to the insolation duration and the restriction of the power generation imposed by local government. Management projected the insolation duration based on the actual historical data, and assumed it to be constant throughout the projection period. For restriction from local government, considering that the restriction from the government had been decreasing since 2015, Management expected the government restriction will be gradually reduced to zero from 2021 onwards. Therefore, the effective power generation hours are expected to have certain improvements in 2020 and 2021, then remain constant throughout the projection period.

For the efficiency of the PV system, it is subjected to degradation since its commencement of operation. According to feasibility study, the overall PV system and equipment should normally maintain at least 80% of the stated power output within the 25 years of operation period. Hence, the implied annual deterioration rate of the power plant efficiency is estimated at 0.8% which is the average of the 20% efficiency loss within the 25 years of guaranteed time frame.

(3) Operating Expenses

Operating expenses of the Targets mainly refer to the operation and maintenance services provided by a third-party, depreciation and amortization, electricity fee and other administrative expenses. Management projected the third-party operation and maintenance services cost mainly based on the management contracts signed respectively. Depreciation and amortization were determined based on the remaining useful life of the related assets. Electricity fee and other administrative expenses were largely conforming to the historical operating figures with applicable adjustment (e.g. inflation adjustment on other administrative expenses).

(4) Interest Expense

Interest expense mainly refers to the interest payment arising from the borrowings of the Targets. According to the Management, such interest expenses are tax deductible. The interest expense is projected making reference to the repayment schedules of the loan agreements. The tax shield benefit of the Targets is considered separately by adding to the Intrinsic Value to derive the business enterprise value of the Targets. For details, please refer to the section of "Adjustment of Tax Shield Benefit from the Outstanding Loan Balance".

(5) Tax expenses

The corporate income tax is 25% in the PRC. According to the Enterprise Income Tax Law in the PRC, as the Targets are classified as clean energy enterprise, the income earned shall be allowed for tax exemptions for the first to third years and a 50% tax discount for the fourth to sixth years since operation commencement. In addition, the Targets are qualified enterprises investing in the encouraged industries set by the province government which are eligible for a preferential income tax rate of 15% from 1 January 2014 to 31 December 2020.

(6) Capital Expenditure

As of the Valuation Date, all the Targets have completed construction and commenced operation. Management considered certain maintenance expenditure and some minor technical upgrade cost to be incurred throughout the Projection period.

(7) Working Capital

Working capital of the Targets mainly includes account receivable (in relation to the FIT and on-grid electricity tariff), account payable and tax payable.

Discount Rate

In this valuation, we have adopted an Asset Discount Rate of 7.0%. The Asset Discount Rate was computed from the Capital Asset Pricing Model ("**CAPM**") by assuming that the capital structure of the Targets is solely financed by equity.

Based on CAPM, the cost of equity equals to the risk-free rate plus the product of systematic risk ("**Beta**") and equity market premium. In computation of the Beta, we have observed the share price movements relative to the respective equity market indices of listed comparable companies. In choosing the time horizon for the estimation period of Beta, a tradeoff is presented between the likelihood of changing Beta over time and the standard error of the Beta estimate. The longer (shorter) the assessment period adopted, the higher (lower) the likelihood of Beta experiencing significant changes and the lower (higher) the standard error of the derived Beta. A 3-year estimation period of Beta is considered to be applicable to be adopted.

The comparable public companies are selected with reference to the following selection criteria:

- The business activities of the companies involved operation of solar power plant(s) in the PRC;
- The companies are listed in Stock Exchange of Hong Kong with more than 3 years' listing period; and
- The financial information of the companies is available to the public.

Based on the above selection criteria, we have identified 13 comparable companies listed as follows:

#	Company Name	Stock Code	Business Description	Market Capitalization as of 30 September 2019	Unlevered Beta
1)	Solargiga Energy Holdings Limited	SEHK: 757	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. The company also manufactures and trades in monocrystalline silicon solar cells and photovoltaic modules; installs photovoltaic systems; and constructs and operates solar power plants. In addition, it manufactures and trades in electronic semiconductor materials.	RMB284mm	0.15
2)	Xinyi Solar Holdings Limited	SEHK: 968	Xinyi Solar Holdings Limited, an investment holding company, produces and sells solar glass products in the PRC, Malaysia, and internationally. It operates through three segments: sales of solar glass; solar farm business; and engineering, procurement and construction services. The company offers double glass modules, ultraclear patterned glasses, back glasses, and AR photovoltaic glasses. It also develops and operates solar farms; and provides engineering, procurement, and construction services.	HKD37,872mm	0.81
3)	GCL New Energy Holdings Limited	SEHK: 451	GCL New Energy Holdings Limited, an investment holding company, develops, constructs, operates, and manages solar power plants in the PRC, Japan, the United States, and internationally.	RMB4,869mm	0.16
4)	Kong Sun Holdings Limited	SEHK: 295	Kong Sun Holdings Limited, an investment holding company, invests in, operates, and maintains solar power plants in the PRC. The company operates in four segments: solar power plants, liquefied natural gas, financial services, and other segments. It generates and sells solar electricity and life-like plants. The company also trades in liquefied natural gas and solar energy related products; provides various loans; and leases properties.	RMB1,173mm	0.11

#	Company Name	Stock Code	Business Description	Market Capitalization as of 30 September 2019	Unlevered Beta
5)	GCL-Poly Energy Holdings Limited	SEHK: 3800	GCL-Poly Energy Holdings Limited operates as a solar photovoltaic company in the PRC and internationally. It operates through three segments: solar material business, solar farm business, and new energy business. The solar material business segment primarily manufactures and sells polysilicon raw materials and silicon wafers. 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.	RMB5,698mm	0.14
6)	Comtec Solar Systems Group Limited	SEHK: 712	Comtec Solar Systems Group Limited, an investment holding company, researches, produces, and sells monocrystalline solar wafers and ingots in the PRC and Malaysia. The company also invests in, develops, constructs, and operates solar photovoltaic power stations; and researches and develops, designs, integrates, and sells lithium battery management and battery systems. In addition, it trades in solar related parts, equipment, and products; and engages in the generation of solar power.	RMB84mm	0.24
7)	Huaneng Renewables Corporation Limited	SEHK: 958	Huaneng Renewables Corporation Limited, together with its subsidiaries, generates and sells wind power and solar power in the PRC.	RMB25,719mm	0.29
8)	LongiTech Smart Energy Holding Limited	SEHK: 1281	LongiTech Smart Energy Holding Limited, together with its subsidiaries, engages in smart and solar energy, and public infrastructure construction businesses in the PRC. The company offers smart energy comprehensive utilization services. It also engages in distributed solar power plant business comprising operation of industrial and commercial distributed power stations, and home photovoltaic systems. In addition, the company invests in and operates a power distribution grid and an urban centralized heat supply project.	RMB528mm	0.53

#	Company Name	Stock Code	Business Description	Market Capitalization as of 30 September 2019	Unlevered Beta
9)	Beijing Enterprises Clean Energy Group Limited	SEHK: 1250	Beijing Enterprises Clean Energy Group Limited engages in the investment, development, construction, operation, and management of solar power plants in the PRC. The company develops and constructs distributed photovoltaic power stations; and provides engineering, procurement, construction, and technical consultancy services for photovoltaic and wind power-related projects, and clean heat supply projects, as well as trades in equipment related to photovoltaic power business. It also engages in the infrastructure development and operation of wind power plants and clean energy projects, as well as in the property investment business.	HKD6,480mm	0.29
10)	Shunfeng International Clean Energy Limited	SEHK: 1165	Shunfeng International Clean Energy Limited is principally engaged in the provision of clean energy and low-carbon energy-saving integrated solutions businesses. The Company operates through three business segments: photovoltaic systems (PV systems) and related products segment, solar power generation segment, solar plant operation and services segment, as well as manufacturing and sales of light-emitting diode (LED) products segment.	RMB908mm	0.08
11)	Concord New Energy Group Limited	SEHK: 182	Concord New Energy Group Limited, an investment holding company, engages in the power generation business in the PRC, the United States, and Hong Kong. It is involved in the investment, engineering, procurement, construction, operation, and maintenance of wind and solar power plants; and provision of technical and consultancy services. The company also engages in the sale of solar and new energy equipment; design, research, and exploitation of power systems; leasing of equipment; and investment and operation of solar and wind power plants. In addition, it provides finance lease services and energy Internet services.	RMB2,941mm	0.18

#	Company Name	Stock Code	Business Description	Market Capitalization as of 30 September 2019	Unlevered Beta
12)	Panda Green Energy Group Limited	SEHK: 686	Panda Green Energy Group Limited, an investment holding company, engages in the investment, development, operation, and management of solar and other renewable energy power plants in the PRC and the United Kingdom. The company is also involved in the design and installation of solar power systems; and research and development of solar power products and solar technology. In addition, it holds development rights for hydropower and solar projects.	RMB3,198mm	0.08
13)	China Singyes Solar Technologies Holdings Limited	SEHK: 750	China Singyes Solar Technologies Holdings Limited, an investment holding company, designs, fabricates, and installs conventional curtain walls and solar projects in the PRC, Oceania, Macau, Malaysia, Hong Kong, Africa, and internationally. Its solar projects include building integrated photovoltaic systems, roof top solar systems, and ground mounted solar systems. The company also manufactures and sells renewable energy goods. In addition, it engages in the development of new energy materials and marine biology technology; research and development of energy- saving products; research and development of electricity and new energy; provision of construction design services; and research, construction, and operation of solar power station.	RMB608mm	0.10

The computation of the estimated Asset Discount Rate is shown as follows:

$Ke = Rf + \beta(ERP) + PSP$

Where

Ke	=	Required return on equity			
Rf	=	Risk-free rate of return	=	3.17%	The Rf is based on the yield of long-term China government bond as of the Valuation Date.

β	=	Unlevered Beta	=	0.24	Beta is a measure of the relationship between industry risk and the aggregate market. Unlevered beta is based on the averaged of the betas of the selected comparable companies unlevered in all-equity scenario.
ERP	=	Equity risk premium	=	6.46%	The ERP is the expected return of the market (Rm) in excess of the risk free rate (Rf), or, is based on US equity risk premium plus the country risk premium in the PRC, based on research report published by Aswath Damodaran in July 2019.
PSP	=	Project specific risk premium	=	2.00%	Based on professional judgement with a number of qualitative factors being considered to derive the project specific risk premium, including but not limited to: (i) the mature level difference as the Targets are unlisted compared with the selected comparable companies which are listed in public stock markets (represented by 1% premium); and (ii) there are uncertainties on sustaining the future growth based on the forecasted financials, such as the uncertainties on the on-grid electricity tariff and the effective power generation hours per annum throughout the projection period (represented by 1% premium). The respective premium is estimated based on our appraisal practice, in which 1% of risk premium is attributed to each of the specific risk factor. Moreover, the overall discount rate is considered to be not unreasonable based on our market research below.

We have also performed research on the required return rates commonly applied to solar power plant generators in the PRC as a reasonableness check for the adopted PSP and Asset Discount Rate. According to a research report "Renewable Energy in China: Transiting to a Low-Carbon Economy" published by DBS Bank Limited in November 2016, the internal rate of return ("**IRR**") of solar projects in the PRC was estimated to be at a range of 8% to 10%. In addition, with reference to an article "Analysis of feed-in tariff policies for solar photovoltaic in China 2011–2016" written by a number of scholars from the Institute of Environmental Sciences of Leiden University, it is concluded that the PRC tariff levels should keep IRR values of the solar plants in the range of 8% to 12%.

The adopted Asset Discount Rate in this valuation of 7.0% is slightly lower than the suggested range as observed from the researches. Nonetheless, given the recent slowdown of the PRC economy and the introduction of the 531 policy in May 2018, we consider that a lower discount rate is not unreasonable.

Adjustment of Tax Shield Benefit from the Outstanding Loan Balance

As the Asset Discount Rate is adopted in discounting the free cash flow under the APV method, the resulting value will only have represented under the level that is fully financed by equity. An adjustment was made by adding the present value of tax shield benefit to the resulting value. The tax shield benefit is comprised of the tax shield of interest payment that are originated from the loan outstanding. The discount rate adopted in discounting the tax shield was the corresponding pre-tax cost of debt of the Targets, which was based on the actual borrowing rates of the Targets. The weighted average borrowing rate of the Targets is approximately 6.6%.

Lack of Marketability Discount ("LOMD")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. 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.

As the shares of the Targets are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interests in the Targets are not readily marketable. However, the discount rate adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such discount rate, 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 (2019 edition)" by Stout Risius Ross, LLC*, a reputable research company, suggested a average marketability discount is 15.8%. A marketability discount of 15.8% is considered appropriate and suitable for this valuation as we understand that the Targets is a group of privately held companies.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1 - LOMD)

* *Stout Risius Ross, LLC. is an independent and reputable research firm founded in 1991, and one of the national preeminent firms that offers a broad range of financial advisory services to private and public companies. The Stout Restricted Stock Study™ consists of over 750 restricted stock transactions with distinct transaction and company characteristics on which comparisons to a subject company can be made. The study is widely used and accepted database available for LOMD determination, and is also often used under transactions made by Hong Kong listed companies.*

Business Enterprise Value indicated by the income approach

Based on the aforementioned key assumptions and discount rates, the result of the business enterprise value of the Targets was derived at approximately RMB1,091 million. For details, please refer to below illustration:

As of 30 September 2019

(RMB'000 unless otherwise specified)

Years ending 31 December	9–12.2019	2020	2021	2022	2023	2024	2025	2030	2035	2038
Revenue *(note 1 & 2)*	37,588	158,059	162,179	161,623	161,076	160,541	160,016	157,552	36,629	37,506
Growth Rate		*5.1%*	*2.6%*	*–0.3%*	*–0.3%*	*–0.3%*	*–0.3%*	*–0.3%*	*1.9%*	*0.8%*
Breakdown by Entities:										
Akesu Datang	5,633	21,807	21,995	21,928	21,861	21,797	21,734	21,441	5,290	5,137
Hejing Yixin	6,753	34,256	35,741	35,612	35,485	35,361	35,238	34,661	7,794	8,271
Heshuo Hengxin	8,904	36,802	37,769	37,634	37,501	37,370	37,242	36,636	8,276	8,782
Tulufan Lianxing	6,399	23,260	23,590	23,500	23,411	23,324	23,239	22,832	4,934	5,236
Wensu Riyuehui	5,062	22,398	22,994	22,922	22,851	22,782	22,715	22,402	5,500	5,383
Yuepuhu Gaoke	4,837	19,536	20,089	20,027	19,966	19,907	19,849	19,579	4,835	4,696
Less: Operating Expenses	(22,700)	(83,623)	(83,962)	(84,233)	(84,512)	(84,800)	(85,096)	(86,720)	(35,603)	(22,656)
Breakdown by Entities:										
Akesu Datang	(3,947)	(12,916)	(12,979)	(13,033)	(13,090)	(13,148)	(13,208)	(13,536)	(4,806)	(4,736)
Hejing Yixin	(4,332)	(15,826)	(15,900)	(15,956)	(16,015)	(16,075)	(16,137)	(16,476)	(16,861)	(3,774)
Heshuo Hengxin	(4,504)	(16,783)	(16,851)	(16,904)	(16,959)	(17,015)	(17,073)	(17,390)	(4,095)	(4,306)
Tulufan Lianxing	(3,397)	(14,432)	(14,477)	(14,513)	(14,551)	(14,589)	(14,629)	(14,848)	(4,642)	(4,446)
Wensu Riyuehui	(3,089)	(11,400)	(11,444)	(11,480)	(11,517)	(11,555)	(11,594)	(11,808)	(2,641)	(2,700)
Yuepuhu Gaoke	(3,430)	(12,266)	(12,311)	(12,346)	(12,381)	(12,418)	(12,456)	(12,663)	(2,557)	(2,694)
Profit Before Tax	**14,887**	**74,436**	**78,217**	**77,390**	**76,565**	**75,741**	**74,920**	**70,831**	**1,026**	**14,850**
Less: Income Tax Expense	(1,590)	(7,560)	(17,610)	(19,194)	(19,141)	(18,935)	(18,730)	(17,708)	(0)	(2,290)
Net Profit	**13,297**	**66,876**	**60,607**	**58,195**	**57,423**	**56,806**	**56,190**	**53,123**	**1,026**	**12,560**
Adjustment:										
Add: Depreciation & Amortization	19,017	68,072	68,342	68,562	68,788	69,022	69,262	70,577	19,096	5,903
Less: Capital Expenditure	—	(6,442)	(4,336)	(4,466)	(4,600)	(4,738)	(4,881)	(5,658)	(6,559)	—
Add: Decrease/(Increase) in Working Capital	(4,373)	(4,127)	62,546	68,313	1,855	1,554	1,066	1,006	(75)	(2,573)
Free Cash Flow to Enterprise	**27,942**	**124,379**	**187,159**	**190,604**	**123,466**	**122,644**	**121,638**	**119,049**	**13,488**	**15,889**
Cumulative Free Cash Flow to Enterprise	**27,942**	**152,321**	**339,480**	**530,084**	**653,550**	**776,194**	**897,831**	**1,498,106**	**1,994,339**	**2,034,322**
Discount Rate		**7.0%**								
Discounted Free Cash Flow Value	**1,284,978**									
Adjustment of Tax Shield Benefit	**11,146**									
Business Enterprise Value (Before LOMD)	**1,296,124**									
Less: LOMD *15.8%*	***(204,788)***									
Business Enterprise Value (After LOMD)	**1,091,336**									

Note 1: Power Generation Output (MWh) ('000)

	1–9.2019 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2030 Forecast	2035 Forecast	2038 Forecast
Akesu Datang	19,921	26,945	27,040	27,129	26,900	26,670	26,440	26,210	25,060	23,911	23,221
Growth Rate			*0.4%*	*0.3%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Hejing Yixin	33,027	41,676	43,376	45,041	44,659	44,278	43,896	43,514	41,606	39,697	38,552
Growth Rate			*4.1%*	*3.8%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Heshuo Hengxin	34,222	45,539	46,557	47,553	47,150	46,747	46,344	45,941	43,926	41,911	40,702
Growth Rate			*2.2%*	*2.1%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Tulufan Lianxing	21,182	29,391	29,683	29,966	29,712	29,458	29,204	28,950	27,680	26,411	25,649
Growth Rate			*1.0%*	*1.0%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Wensu Riyuehui	20,871	27,233	27,838	28,429	28,188	27,947	27,706	27,465	26,261	25,056	24,333
Growth Rate			*2.2%*	*2.1%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Yuepuhu Gaoke	17,640	23,674	24,242	24,797	24,587	24,377	24,167	23,956	22,906	21,855	21,225
Growth Rate			*2.4%*	*2.3%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*

Note 2: Average Electricity Tariff (RMB)

	1–9.2019 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2030 Forecast	2035 Forecast	2038 Forecast
Akesu Datang	0.80	0.80	0.81	0.81	0.82	0.82	0.82	0.83	0.86	0.22	0.22
Hejing Yixin	0.78	0.78	0.79	0.79	0.80	0.80	0.81	0.81	0.83	0.20	0.21
Heshuo Hengxin	0.78	0.78	0.79	0.79	0.80	0.80	0.81	0.81	0.83	0.20	0.22
Tulufan Lianxing	0.78	0.78	0.78	0.79	0.79	0.79	0.80	0.80	0.82	0.19	0.20
Wensu Riyuehui	0.80	0.80	0.80	0.81	0.81	0.82	0.82	0.83	0.85	0.22	0.22
Yuepuhu Gaoke	0.80	0.80	0.81	0.81	0.81	0.82	0.82	0.83	0.85	0.22	0.22

MARKET APPROACH — COMPARABLE COMPANIES METHOD

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies.

Given the fact that only limited number of recent comparable transactions can be identified, while there are no sufficient public information disclosed for the transactions and a wide range of multiples has been observed, we consider that the comparable transactions method is not appropriate for this valuation.

The comparable companies method is comparing the Targets with other comparable public companies having financial information available to the public. The comparable companies method can merely be a cross-checking reference as there are variance and discrepancy in technology advancement, geographic locations, local government policy and practices, stages of developments and competition environment etc., which causes difficulties in benchmarking and comparing the subjects fairly. As the comparable companies are listed companies owning a portfolio of projects and will obtain new projects in their normal course of business, they are assumed to have a perpetual life. In contrast as the Targets are project companies which operate only one project, their business will be terminated by the end of the contractual period and therefore are with a discrete definite life. Since the underlying assumption of the comparable companies method is the assumption of perpetual life whereas the Targets are with discrete definite life, such difference may have significant impact on the result which determined the comparable companies method to be not applicable as the primary valuation methodology in this valuation and has been used as a mere cross-checking reference.

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 business activities of the companies involved the operation of solar power plant(s) in the PRC;
- The companies are listed in Stock Exchange of Hong Kong; and
- The financial information of the companies is available to the public.

Since there are 2 comparable companies which have less than 3 years' listing period (being one of the selection criteria for matching with the Beta estimation period), they are included as comparable companies under market approach but not in computation of the Beta. Details of the 15 selected comparable companies are listed as follows:

#	**Company Name**	**Stock Code**	**Business Description**
1)	Solargiga Energy Holdings Limited	SEHK: 757	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. The company also manufactures and trades in monocrystalline silicon solar cells and photovoltaic modules; installs photovoltaic systems; and constructs and operates solar power plants. In addition, it manufactures and trades in electronic semiconductor materials.

#	Company Name	Stock Code	Business Description
2)	Xinyi Solar Holdings Limited	SEHK: 968	Xinyi Solar Holdings Limited, an investment holding company, produces and sells solar glass products in the PRC, Malaysia, and internationally. It operates through three segments: sales of solar glass; solar farm business; and engineering, procurement and construction services. The company offers double glass modules, ultraclear patterned glasses, back glasses, and AR photovoltaic glasses. It also develops and operates solar farms; and provides engineering, procurement, and construction services.
3)	GCL New Energy Holdings Limited	SEHK: 451	GCL New Energy Holdings Limited, an investment holding company, develops, constructs, operates, and manages solar power plants in the PRC, Japan, the United States, and internationally.
4)	Kong Sun Holdings Limited	SEHK: 295	Kong Sun Holdings Limited, an investment holding company, invests in, operates, and maintains solar power plants in the PRC. The company operates in four segments: solar power plants, liquefied natural gas, financial services, and other segments. It generates and sells solar electricity and life-like plants. The company also trades in liquefied natural gas and solar energy related products; provides various loans; and leases properties.

#	Company Name	Stock Code	Business Description
5)	LongiTech Smart Energy Holding Limited	SEHK: 1281	LongiTech Smart Energy Holding Limited, together with its subsidiaries, engages in smart and solar energy, and public infrastructure construction businesses in the PRC. The company offers smart energy comprehensive utilization services. It also engages in distributed solar power plant business comprising operation of industrial and commercial distributed power stations, and home photovoltaic systems. In addition, the company invests in and operates a power distribution grid and an urban centralized heat supply project.
6)	GCL-Poly Energy Holdings Limited	SEHK: 3800	GCL-Poly Energy Holdings Limited operates as a solar photovoltaic company in the PRC and internationally. It operates through three segments: solar material business, solar farm business, and new energy business. The solar material business segment primarily manufactures and sells polysilicon raw materials and silicon wafers. The solar farm business segment operates and manages solar farms located in the United States and the PRC. The new energy business segment develops, constructs, operates, and manages solar farms.
7)	Comtec Solar Systems Group Limited	SEHK: 712	Comtec Solar Systems Group Limited, an investment holding company, researches, produces, and sells monocrystalline solar wafers and ingots in the PRC and Malaysia. The company also invests in, develops, constructs, and operates solar photovoltaic power stations; and researches and develops, designs, integrates, and sells lithium battery management and battery systems. In addition, it trades in solar related parts, equipment, and products; and engages in the generation of solar power.

#	Company Name	Stock Code	Business Description
8)	Huaneng Renewables Corporation Limited	SEHK: 958	Huaneng Renewables Corporation Limited, together with its subsidiaries, generates and sells wind power and solar power in the PRC.
9)	Beijing Enterprises Clean Energy Group Limited	SEHK: 1250	Beijing Enterprises Clean Energy Group Limited engages in the investment, development, construction, operation, and management of solar power plants in the PRC. The company develops and constructs distributed photovoltaic power stations; and provides engineering, procurement, construction, and technical consultancy services for photovoltaic and wind power-related projects, and clean heat supply projects, as well as trades in equipment related to photovoltaic power business. It also engages in the infrastructure development and operation of wind power plants and clean energy projects, as well as in the property investment business.
10)	Shunfeng International Clean Energy Limited	SEHK: 1165	Shunfeng International Clean Energy Limited is principally engaged in the provision of clean energy and low-carbon energy-saving integrated solutions businesses. The Company operates through three business segments: photovoltaic systems (PV systems) and related products segment, solar power generation segment, solar plant operation and services segment, as well as manufacturing and sales of light-emitting diode (LED) products segment.

#	Company Name	Stock Code	Business Description
11)	Concord New Energy Group Limited	SEHK: 182	Concord New Energy Group Limited, an investment holding company, engages in the power generation business in the PRC, the United States, and Hong Kong. It is involved in the investment, engineering, procurement, construction, operation, and maintenance of wind and solar power plants; and provision of technical and consultancy services. The company also engages in the sale of solar and new energy equipment; design, research, and exploitation of power systems; leasing of equipment; and investment and operation of solar and wind power plants. In addition, it provides finance lease services and energy Internet services.
12)	Panda Green Energy Group Limited	SEHK: 686	Panda Green Energy Group Limited, an investment holding company, engages in the investment, development, operation, and management of solar and other renewable energy power plants in the PRC and the United Kingdom. The company is also involved in the design and installation of solar power systems; and research and development of solar power products and solar technology. In addition, it holds development rights for hydropower and solar projects.

#	Company Name	Stock Code	Business Description
13)	China Singyes Solar Technologies Holdings Limited	SEHK: 750	China Singyes Solar Technologies Holdings Limited, an investment holding company, designs, fabricates, and installs conventional curtain walls and solar projects in the PRC, Oceania, Macau, Malaysia, Hong Kong, Africa, and internationally. Its solar projects include building integrated photovoltaic systems, roof top solar systems, and ground mounted solar systems. The company also manufactures and sells renewable energy goods. In addition, it engages in the development of new energy materials and marine biology technology; research and development of energy-saving products; research and development of electricity and new energy; provision of construction design services; and research, construction, and operation of solar power station.
14)	Xinyi Energy Holdings Limited	SEHK: 3868	Xinyi Energy Holdings Limited, an investment holding company, owns, operates, and manages solar farms in China. It sells electricity to the State grid. The company was incorporated in 2015 and is based in Wuhu, China. Xinyi Energy Holdings Limited is a subsidiary of Xinyi Solar Holdings Limited.

#	Company Name	Stock Code	Business Description
15)	China Everbright Greentech Limited	SEHK: 1257	China Everbright Greentech Limited, an investment holding company, engages in the design, construction, operation, and maintenance of integrated biomass and waste-to-energy projects in China. It generates electricity and heat through biomass raw materials. The company operates environmental remediation for restoration of industrial contaminated sites, contaminated farmland, mines and landfills; treatment of industrial gas emission, integrated oil sludge, river/lake sediments, and industrial sludge; and construction and operation of wetland parks, environmental stewardship services and anti-seepage at landfill sites.

Source: S&P Capital IQ

As all the above comparable companies are engaged in development or/and operation of solar power plants, these comparable companies, together with the Targets, 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 cross-checking the valuation result of the Targets, 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**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/E multiple is not adopted as different companies might possess different tax exposure and the tax effect on earnings of the comparable companies should be eliminated.

P/B multiple is considered not appropriate because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement to be adopted.

P/S and EV/S multiples are considered not appropriate for this valuation because they do not consider the profitability of the Targets. As P/S and EV/S multiples only focus on the sales amounts but not the margin, the result will be easily distorted if the cost structure is not being taken into account. Thus, P/S and EV/S multiples are not adopted.

Moreover, P/E, P/B and P/S multiples are not adopted as we are only appraising the business enterprise value of the Targets for this valuation but not the equity value.

The EV/EBITDA multiple is the appropriate indicators of the fair value of the comparable companies. The EV/EBITDA multiple removes any tax effect on earnings as well as non-cash items in earnings, it is hence adopted in the market approach. Enterprise value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

The EV/EBITDA multiple of comparable companies are as follows:

No.	Company Name	Reporting Currency (in mm)	Market Capitalization as of 30 September 2019	Enterprise Value as of 30 September 2019	EBITDA[1]	EV/EBITDA Before LOMD and Control Premium	EV/EBITDA After LOMD and Control Premium
1	Solargiga	RMB	284	2,145	182	11.81	13.23
2	Xinyi Solar	HKD	37,872	46,383	2,963	15.66	17.55
3	GCL	RMB	4,869	50,104	4,938	10.15	11.37
4	Kong Sun	RMB	1,173	12,607	1,292	9.76	10.94
5	LongiTech	RMB	528	726	63	11.57	12.97
6	GCL-Poly	RMB	5,698	71,047	5,647	12.58	14.10
7	Comtec	RMB	84	341	(79)	N/A	NA
8	Huaneng	RMB	25,719	75,359	11,025	6.84	7.66
9	BECE	HKD	6,480	30,033	3,119	9.63	10.79
10	Shunfeng	RMB	908	15,349	1,352	11.36	12.73
11	Concord	RMB	2,941	11,346	1,161	9.77	10.95
12	Panda Green	RMB	3,198	23,137	1,918	12.06	13.52
13	China Singyes	RMB	608	6,337	36	N/A[4]	N/A[4]
14	Xinyi	HKD	14,450	15,661	1,186	13.20	14.80
15	China Everbright	HKD	9,421	16,233	2,466	6.58	7.38
	Maximum						17.55
	Minimum						7.38
	Median						**12.73**
	Average						12.15
	Lack of Marketability Discount ("LOMD")[2]						**15.8%**
	Control Premium[3]						**33.1%**

	(RMB'million)
Indicated business enterprise value of the Targets by Income Approach	1,091
2018 EBITDA of the Targets	115
Implied EV/EBITDA multiple of the Targets	**9.52**

As derived under the APV methodology, the implied EV/EBITDA multiple of the Targets was equal to 9.52x. Although the multiple is lower than the mean and median of the comparable companies (12.15x and 12.73x respectively as illustrated above), considering the comparable companies are under an assumption of perpetual life while the Targets are with discrete definite life, such slight discount is considered to be not unreasonable. Since the resulting multiple of the Targets is still within the market range (i.e. 7.38x – 17.55x) of the comparable companies, it helped in supporting the reasonableness of the result derived in Income Approach.

Notes:

(1) Data sourced from S&P Capital IQ database. The equity values and enterprise values of the comparable companies are computed based on the market capitalization of the companies as of 30 September 2019. EBITDA 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 EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value. A marketability discount of 15.8% is considered appropriate and suitable for this valuation as the Targets are privately held companies, consistent with the LOMD adopted in Income Approach.

(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 EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA 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 Targets' shares. The report "Control Premium Study: 3rd Quarter 2019" by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium is 33.1%. A control premium of 33.1% is considered appropriate and suitable for this valuation as we understand that the Company intends to dispose a controlling stake in the Targets.

The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium)

Combining the adjustments on LOMD and control premium,

Adjusted EV/EBITDA multiple = EV/EBITDA multiple x (1 - LOMD) x (1 + Control Premium)

(4) The implied multiple of the subject company before LOMD and control premium of 173.72x is located 3.6 standard deviations from the mean. Considering figures located outside 1 standard deviation from the mean are defined as outliers, the subject company is hence regarded as an outlier and was not adopted in the analysis.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair value of the business enterprise of the Targets as of the Valuation Date is RMB1,091 million.

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), FCPA (Aus.), MRICS
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
Senior Analyst

Eva L W Tam
Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of the CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of RICS. Vincent has over 20-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.

18 March 2020

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 18 March 2020 (the "**Announcement**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation report dated 6 March 2020 (the "**Valuation Report**") issued by AVISTA Valuation Advisory Limited (the "**Valuer**") regarding the Valuation regarding the business enterprise of the Target Companies as at 30 September 2019, which constitutes a profit forecast (the "**Profit Forecast**") as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the letter dated 18 March 2020 from Deloitte regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, has properly complied with the bases and assumptions as set out in the Valuation Report.

Based on the above, pursuant to Rule 14.62(3) of the Listing Rules, we hereby confirm that the Profit Forecast under the Valuation Report has been made after due and careful enquiry of the Board.

Yours faithfully
For and on behalf of the Board
Shunfeng International Clean Energy Limited
Zhang Fubo
Chairman

18 March 2020

The Directors
Shunfeng International Clean Energy Limited

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

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASHFLOWS IN CONNECTION WITH THE VALUATION OF THE BUSINESS ENTERPRISE VALUE OF THE TARGET COMPANIES (AS DEFINED BELOW)

TO THE DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by AVISTA Valuation Advisory Limited dated 6 March 2020, of the business enterprise value of i) 阿克蘇大唐新能源有限公司 (Akesu Datang New Energy Co., Ltd.*), ii) 岳普湖高科新能源發電有限公司 (Yuepuhu Gaoke New Energy Power Generation Co., Ltd.*), iii) 和碩恒鑫新能源科技有限公司 (Heshuo Hengxin New Energy Technology Co., Ltd.*), iv) 吐魯番聯星新能源有限公司 (Tulufan Lianxing New Energy Co., Ltd.*), v) 溫宿縣日月輝新能源有限公司 (Wensu Riyuehui New Energy Co., Ltd.*) and vi) 和靜益鑫新能源科技有限公司 (Hejing Yixin New Energy Technology Co., Ltd.*) (collectively referred to as the "**Target Companies**") as at 30 September 2019 (the "**Valuation**") is based. The Target Companies are companies incorporated widely within the People's Republic of China (the "**PRC**") whose principal assets are solar power plants operated in the PRC. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in an announcement dated 18 March 2020 to be issued by Shunfeng International Clean Energy Limited (the "**Company**") in connection with the proposed disposal of the Group's entire equity interest in the Target Companies, which in aggregate constitute a very substantial disposal transaction (the "**Announcement**").

* *The English names are for identification purpose only and the official names of the Target Companies are in Chinese.*

Directors' Responsibility for the Discounted Future Estimated Cash Flows

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

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 Hong Kong Institute of Certified Public Accountants (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' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the business enterprise value of the Target Companies.

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 March 2020

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 *(Note 1)*	Approximate percentage of issued Shares
Wang Yu	Beneficial owner	18,691,588 (L)	0.38%

Note:

1. 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 2019, 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 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, 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 *(Note 7)*	Approximate percentage of issued Shares
Peace Link	Beneficial owner *(Note 1)*	2,599,335,467 (L)	52.17%
Asia Pacific Resources	Beneficial owner and interest of controlled corporation *(Note 2)*	2,674,892,658 (L)	53.69%
Mr. Cheng	Beneficial owner and interest of controlled corporation *(Note 3)*	2,681,844,658 (L)	53.83%
Coherent Gallery International Limited	Beneficial owner *(Note 4)*	268,223,960 (L)	5.38%
Faithsmart Limited	Interest of controlled corporation *(Note 5)*	2,674,892,658 (L)	53.69%
Mr. Tang Guoqiang	Interest of controlled corporation *(Note 6)*	437,118,989 (L)	8.77%

Note:

1. Peace Link is wholly owned by Asia Pacific Resources, which is in turn wholly owned by Faithsmart Limited, which is in turn wholly owned by Mr. Cheng. As at the Latest Practicable Date. Peace Link held 1,402,774,101 Shares in its personal capacity.

2. Asia Pacific Resources is the beneficial owner of 100% issued shares of Peace Link. As at the Latest Practicable Date. Asia Pacific Resources held 75,557,191 Shares in its personal capacity.

3. Mr. Cheng is the beneficial owner of 100% issued shares of Faithsmart Limited. Faithsmart Limited is the beneficial owner of 100% issued shares of Asia Pacific Resources and Asia Pacific Resources is the beneficial owner of 100% issued shares of Peace Link. As at the Latest Practicable Date. Mr. Cheng held 3,452,000 Shares in his personal capacity.

4. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources which, in turn, wholly owns 100% shareholding in Peace Link. Therefore, Faithsmart Limited is deemed to be interested in 75,557,191 Shares held by Asia Pacific Resources and 2,599,335,467 Shares held by Peace Link for the purpose of the SFO.

6. 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 purpose 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 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:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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 2019, 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 2019, being the date to which the latest published audited accounts of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim 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) ("**Changzhou Wujin**") (as guarantor) and Changzhou Shunfeng Photovoltaic Materials Co., Ltd.* (常州市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 Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司) ("**Jiangsu Shunfeng**") in respect of the loan agreement dated 20 June 2018 entered into between the Lender (as lender) and the Jiangsu Shunfeng (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 (a wholly-owned subsidiary of the Company) in respect of the loan agreement dated 20 June 2018 entered into between the Lender (as lender) and Shunfeng Photovoltaic 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 Jiangsu Shunfeng and Changzhou Wujin pursuant to which Jiangsu Shunfeng 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 Jiangsu Shunfeng and Changzhou Wujin pursuant to which Jiangsu Shunfeng 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 Jiangsu Shunfeng and Changzhou Wujin pursuant to which Jiangsu Shunfeng 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 Jiangsu Shunfeng and Jiangsu Wujin Gaoxin Investment Company Limited* (江蘇武進高新投資控股有限公司) in respect of counter-guarantee provided in favour of Jiangsu Wujin Gaoxin Investment Company Limited* (江蘇武進高新投資控股有限公司) (please refer to the announcement of the Company dated 10 September 2018 for further details);

(xi) the subscription agreement dated 14 December 2018 entered into among the Company, CAM SPC — CNNC-IFMC HK Industry Fund SP (as subscriber) and Jiangsu Shunfeng (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 dated 10 December 2018 entered into between Shunfeng Photovoltaic Holdings and Asia Pacific Resources, pursuant to which Shunfeng Photovoltaic Holdings agreed to sell 100% of the equity interest in Jiangsu Shunfeng for an aggregate consideration of RMB3,000 million (the "**Jiangsu Shunfeng Sale and Purchase Agreement**");

(xiii) the amendment agreement dated 24 March 2019 entered into between the Shunfeng Photovoltaic Holdings and Asia Pacific Resources in respect of the amendments to the Jiangsu Shunfeng Sale and Purchase Agreement;

(xiv) the 2019 Sale and Purchase Agreements; and

(xv) 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 LOR 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 letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(iv) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019;

(v) the unaudited financial information of the Target Companies, the text of which is set out in Appendix II to this circular;

(vi) 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;

(vii) the Valuation Report, the text of which is set out in Appendix V to this circular;

(viii) a copy of the circular of the Company dated 30 June 2019;

(ix) a copy of the circular of the Company dated 29 December 2019;

(x) a copy of this circular; and

(xi) 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. Mr. Lu is a chartered accountant of the 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 located at 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.

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 the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Thursday, 2 July 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms defined in the circular dated 15 June 2020 shall have the same meanings when used in this notice.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Akesu Datang SPA and the Disposal 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 Akesu Datang SPA and the Disposal contemplated thereunder."

2. "**THAT**

   (a) the Yuepuhu Gaoke SPA and the Disposal 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 Yuepuhu Gaoke SPA and the Disposal contemplated thereunder."

3. “**THAT**

(a) the Heshuo Hengxin SPA and the Disposal 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 Heshuo Hengxin SPA and the Disposal contemplated thereunder.”

4. “**THAT**

(a) the Tulufan Lianxing SPA and the Disposal 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 Tulufan Lianxing SPA and the Disposal contemplated thereunder.”

5. “**THAT**

(a) the Wensu Riyuehui SPA and the Disposal 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 Wensu Riyuehui SPA and the Disposal contemplated thereunder.”

6. “**THAT**

(a) the Hejing Yixin SPA and the Disposal 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 Hejing Yixin SPA and the Disposal contemplated thereunder."

By order of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman

Hong Kong, 15 June 2020

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 needs not be a Shareholder.

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 Shops 1712–1716, 17th 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, 26 June 2020 to Thursday, 2 July 2020, 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 Wednesday, 24 June 2020.

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 resolutions 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. Wang Yu, Mr. Zhang Fubo, 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.