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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

CONNECTED TRANSACTION PROPERTY LEASING AGREEMENT

BACKGROUND

On 11 August 2020, Bank of China (as the landlord) entered into the Property Leasing Agreement with Shunfeng Holdings (a directly wholly-owned subsidiary of the Company), Tiancheng International and Asia Pacific Resources (collectively as the Tenants). Pursuant to the Property Leasing Agreement, (i) Bank of China shall lease to the Tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of three years commencing on 15 February 2020 and expiring on 14 February 2023 (both days inclusive) for the purpose of business administration of the Tenants; (ii) Bank of China shall let and Shunfeng Holdings shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the Property Leasing Agreement; and (iii) Shunfeng Holdings shall pay to Tiancheng International the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China. The payment arrangement between Shunfeng Holdings and Tiancheng International is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China and such arrangement has been in place in respect of the Previous Property Leasing Agreement. Shunfeng Holdings intends to settle the payment through the internal funds of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Zheng Yan, being the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company), holds 100% equity share of Tiancheng International. Therefore, Tiancheng International is a connected person of the Company under the Listing Rules. As such, the transaction contemplated under the Property Leasing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the leased asset under the Property Leasing Agreement will be recognised by the Group as a right-of-use asset with the aggregate consideration of approximately HK\$9,911,989 (equivalent to approximately RMB8,910,878), and the transaction contemplated under the Property Leasing Agreement will be regarded as an acquisition of a right-of-use asset by the Group pursuant to the Listing Rules. Accordingly, the transaction contemplated under the Property Leasing Agreement will be treated as a one-off connected transaction under the Listing Rules.

Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Property Leasing Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

As the highest percentage ratio in respect of the transaction contemplated under the Property Leasing Agreement, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the Property Leasing Agreement, exceeds 0.1% but is less than 5%, the transaction contemplated under the Property Leasing Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Except Mr. Lu Bin, no Director has a material interest in the transaction contemplated under the Property Leasing Agreement. Mr. Lu Bin has abstained from voting on the resolutions of the Board for approving the Property Leasing Agreement.

BACKGROUND

Reference is made to the Company's announcement dated 2 March 2017 in relation to the entering into of the Previous Property Leasing Agreement. On 11 August 2020, Bank of China (as the landlord) entered into the Property Leasing Agreement with Shunfeng Holdings (a directly wholly-owned subsidiary of the Company), Tiancheng International and Asia Pacific Resources (collectively as the Tenants). Pursuant to the Property Leasing Agreement, (i) Bank of China shall lease to the Tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of three years commencing on 15 February 2020 and expiring on 14 February 2023 (both days inclusive) for the purpose of business administration of the Tenants; (ii) Bank of China shall let and Shunfeng Holdings shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the Property Leasing Agreement; and (iii) Shunfeng Holdings shall pay to Tiancheng International the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China. The payment arrangement between Shunfeng Holdings and Tiancheng International is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China and such arrangement has been in place in respect of the Previous Property Leasing Agreement. Shunfeng Holdings intends to settle the payment through the internal funds of the Group.

THE PROPERTY LEASING AGREEMENT

Date: 11 August 2020

Landlord: Bank of China

Tenants: Shunfeng Holdings, Tiancheng International, and Asia Pacific Resources

Asia Pacific Resources is 100% owned by Mr. Cheng Kin Ming (a substantial shareholder of the Company) and therefore a connected person of the Company.

Tiancheng International is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company), and therefore a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Bank of China and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Premises:	30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong
Leased area to Shunfeng Holdings:	2,616 square feet
Usage:	Office premises
Term of the lease:	The period commencing on 15 February 2020 and expiring on 14 February 2023 (both days inclusive)
Rental payable by Shunfeng Holdings to Tiancheng International:	HK\$293,873 per month
Government rates payable by Shunfeng Holdings to Tiancheng International:	HK\$14,444 per month
Service charges payable by Shunfeng Holdings to Tiancheng International:	HK\$33,326 per month
Security deposit payable by Shunfeng Holdings to Tiancheng International:	HK\$1,024,930
Other fees payable by Shunfeng Holdings to Tiancheng International:	Services and utilities charges, including electricity, air-conditioning, security system and service charges, which shall be charged on actual incurred basis.
Early termination:	Bank of China shall have an option to early terminate the Property Leasing Agreement, upon giving to the Tenants not less than two calendar months' prior notice in writing of its intention so to do: <ul style="list-style-type: none"> (a) at any time after the expiration of the first 12 months of the term of the lease, at Bank of China's absolute discretion; or

- (b) if, at any time after the expiration of the first 12 months of the term of the lease, Bank of China should decide or intend to change its overall business direction such that, in the opinion of Bank of China, the premises shall be thereby affected (such decision or intention shall be notified in writing by Bank of China to the Tenants and, when so notified, shall be deemed to be sufficiently and conclusively evidenced and proven that Bank of China decides or intends to change its overall business direction and that the premises shall be thereby affected).

Guarantee and indemnity:

On 11 August 2020, Mr. Cheng Kin Ming, a substantial shareholder of the Company and the sole shareholder of Asia Pacific Resources, entered into a deed of guarantee and indemnity in favour of Bank of China to secure the obligations and liabilities of the Tenants under the Property Leasing Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group leased the premise from Bank of China for the use as office premises pursuant to the Previous Property Leasing Agreement. In order to meet the Group's continuous operation need, the Group entered into the Property Leasing Agreement. The rental and related service charge fees have been determined by Bank of China and the Tenants with reference to the prevailing market rental and service charge fees of comparable properties in the area where the premises are situated and the previous rentals and related service charge fees under the Previous Property Leasing Agreement.

The Directors (including the independent non-executive Directors) believe that the transaction under the Property Leasing Agreement has been entered into in the ordinary and usual course of business of the Company, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group and Shunfeng Holdings

The Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Group continues 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. Shunfeng Holdings is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in investment holdings.

Bank of China

Bank of China is principally engaged in the businesses of banking.

Tiancheng International

Tiancheng International is a limited liability company incorporated in Hong Kong and is principally engaged in the businesses of auction.

Asia Pacific Resources

Asia Pacific Resources is a limited liability company incorporated in the British Virgin Islands and is principally engaged in the businesses of investment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Zheng Yan, being the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company), holds 100% equity share of Tiancheng International. Therefore, Tiancheng International is a connected person of the Company under the Listing Rules. As such, the transaction contemplated under the Property Leasing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the leased asset under the Property Leasing Agreement will be recognised by the Group as a right-of-use asset with the aggregate consideration of approximately HK\$9,911,989 (equivalent to approximately RMB8,910,878), and the transaction contemplated under the Property Leasing Agreement will be regarded as an acquisition of a right-of-use asset by the Group pursuant to the Listing Rules. Accordingly, the transaction contemplated under the Property Leasing Agreement will be treated as a one-off connected transaction under the Listing Rules.

Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Property Leasing Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

As the highest percentage ratio in respect of the transaction contemplated under the Property Leasing Agreement, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the Property Leasing Agreement, exceeds 0.1% but is less than 5%, the transaction contemplated under the Property Leasing Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Except Mr. Lu Bin, no Director has a material interest in the transaction contemplated under the Property Leasing Agreement. Mr. Lu Bin has abstained from voting on the resolutions of the Board for approving the Property Leasing Agreement.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Asia Pacific Resources”	Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), a limited liability company incorporated in the British Virgin Islands, which is 100% owned by Mr. Cheng Kin Ming (a substantial shareholder of the Company) and therefore a connected person of the Company
“Bank of China”	Bank of China (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and an independent third party of the Company and its connected persons
“Board”	the board of Directors
“Company”	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Previous Property Leasing Agreement”	the property leasing agreement entered into between Bank of China (as the landlord) and Shunfeng Holdings, Tiancheng International, and Asia Pacific Resources (collectively as the Tenants) dated 2 March 2017
“Property Leasing Agreement”	the property leasing agreement entered into between Bank of China (as the landlord) and Shunfeng Holdings, Tiancheng International, and Asia Pacific Resources (collectively as the Tenants) dated 11 August 2020
“Shunfeng Holdings”	Shunfeng Photovoltaic Holdings Limited (順風光電控股有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tenants”	Shunfeng Holdings, Tiancheng International and Asia Pacific Resources
“Tiancheng International”	Tiancheng International Auctioneer Limited (天成國際拍賣有限公司), a limited liability Company incorporated in Hong Kong, which is a connected person of the Company
“%”	per cent

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

Hong Kong, 11 August 2020

As at the date of this announcement, 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.