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)

(1) MAJOR AND CONNECTED TRANSACTION AND (2) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Opus Capital Limited
創富融資有限公司

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 5 to 35 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from Opus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 76 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 Tuesday, 13 July 2021 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.

23 June 2021

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
"2020 Disposal"	the previous very substantial disposal of the Company in relation to 6 sale and purchase agreements dated 16 March 2020, as disclosed in the Company's announcement dated 18 March 2020
"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
"associate"	has the meaning ascribed to it under the Listing Rules
"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 under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal on or before the Long Stop Date, including the completion of the transfer registration in respect of the Target Interest in the name of the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement
"Condition(s)"	the condition(s) precedent to Completion under the Sale and Purchase Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Disposal payable by the Purchaser to the Vendor under the Sale and Purchase Agreement, being RMB670 million
"Directors"	the directors of the Company
"Disposal"	the disposal of the Target Interest by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement

"Disposal Announcement"	the announcement of the Company dated 31 December 2020 in relation to the Disposal
"Disposal Group"	the Target Company and its subsidiaries
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"ESOP"	the 2006 Global Share Plan adopted by the Vendor
"Group"	the Company and its subsidiaries
"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 Board Committee"	a committee of the Board comprising Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson, being the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Opus Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) who are independent and have no interest in the transactions contemplated under the Sale and Purchase Agreement
"Jointly Managed Account"	the RMB bank account to be opened by the Vendor in the name of the Target Company for the purpose of receiving the Consideration which is jointly managed by the Vendor and the Purchaser
"Latest Practicable Date"	17 June 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"LED Business"	the manufacturing business of LED, an energy efficient lighting device, which is operated via the Vendor

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	30 September 2021, as extended from 30 June 2021 as agreed between the Parties (or such other date as may be agreed between the Parties)
"Party(ies)"	the Vendor and the Purchaser
"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 Kin Ming, a substantial shareholder (as defined under the Listing Rules) of the Company
"percentage ratio"	has the meaning ascribed to it under the Listing Rules
"Post Disposal Remaining Group"	the Company and its subsidiaries after the Completion assuming that the 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 Disposal Remaining Group (as the case may be)
"Purchaser"	Nanchang Guanggu Group Limited* (南昌光穀集團有限公司), a company incorporated under the laws of the PRC with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 31 December 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shunfeng Photovoltaic Holdings"	Shunfeng Photovoltaic Holdings Limited* (順風光電控股有限公司), a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company

"Shunfeng Photovoltaic Investments"	Shunfeng Photovoltaic Investment (China) Co., Ltd.* (順風光電投資(中國)有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Sino Alliance"	Sino Alliance Capital Ltd., an independent third party who had provided a loan facility to the Company in the amount of HK$2,500 million in December 2016
"State Grid"	State Grid Corporation of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Lattice Power (Jiangxi) Co., Ltd* (晶能光電(江西)有限公司), a company established under the laws of the PRC with limited liability
"Target Interest"	100% of the equity interest in the Target Company, together with all the rights, benefits and obligations of a shareholder corresponding to such equity interest
"Vendor"	Lattice Power Corporation (晶能光電有限公司*), a company incorporated under the laws of Cayman Islands with limited liability and an indirect non wholly-owned subsidiary of the Company
"%"	per cent

For the purpose of this circular, translations of HK$ into RMB or vice versa have been calculated by using an exchange rate of HK$1.00 equal to RMB0.8416. 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 and 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, KY1-1111
Cayman Islands

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

23 June 2021

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION AND (2) NOTICE OF EGM

INTRODUCTION

Reference is made to the Disposal Announcement, in which it was announced that on 31 December 2020 (after trading hours), the Vendor (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Target Interest, representing 100% of the equity interests in the Target Company, at an aggregate Consideration of RMB670 million.

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

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

(ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; and

(iv) the notice of the EGM.

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

THE SALE AND PURCHASE AGREEMENT

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

Date : 31 December 2020

Parties : (i) Lattice Power Corporation (晶能光電有限公司*) (an indirect non wholly-owned subsidiary of the Company, as the Vendor)

(ii) Nanchang Guanggu Group Limited* (南昌光穀集團有限公司) (as the Purchaser)

Asset to be disposed of : the Target Interest, representing 100% of the equity interest in the Target Company, together with all the rights, benefits and liabilities of a shareholder corresponding to such equity interest, including all the direct and indirect rights, benefits, obligations and liabilities of the Target Company as a shareholder of its subsidiaries as listed in the Sale and Purchase Agreement.

Consideration and payment : The aggregate Consideration is RMB670 million.

Details are set out as follows:

(i) RMB20 million will be paid by the Purchaser as the deposit to the Jointly Managed Account within 15 Business Days of the signing of the Sale and Purchase Agreement (the "**First Payment**"). As at the Latest Practicable Date, the Vendor has received the First Payment of RMB20 million as the deposit from the Purchaser to the Jointly Managed Account on 21 January 2021.

(ii) RMB325 million will be paid by cash by the Purchaser to the Jointly Managed Account within 15 Business Days after having received all the relevant approvals including but not limited to the Vendor's shareholder and the Stock Exchange (if required) and all Conditions having been satisfied (the "**Second Payment**").

(iii) Within 10 Business Days after the Completion, the First Payment and the Second Payment will be transferred from the Jointly Managed Account to the account of the Vendor. RMB325 million will be paid by cash by the Purchaser to the account of the Vendor within 30 Business Days after the Completion (the "**Third Payment**").

The Purchaser may pay the Consideration by assuming the debts of the Vendor or the Vendor's controlling shareholder but the Vendor shall complete the transfer of the Target Interest only after the assignment of debt is completed by the Purchaser and the third party debtor. As the Company indirectly holds 58.3% of equity interests in the Vendor, the Company will be entitled to approximately RMB390.6 million from the Consideration. As at the Latest Practicable Date, the Vendor has not received the Second Payment and the Third Payment (RMB650 million in total). The Purchaser currently plans to pay the Second Payment and the Third Payment in cash.

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

(i) the preliminary valuation of the implied equity value of the Target Company as at 30 June 2020 of RMB664,463,000 (the "**Implied Equity Value**") as stated in the valuation report of the Target Company conducted by an independent valuer appointed by the Company, AVISTA Valuation Advisory Limited (the "**Valuer**"), adopting the market approach;

(ii) the unaudited financial information of the Disposal Group including but not limited to the net asset value of the Disposal Group as at 30 June 2020 of RMB490.1 million; and

(iii) having considered the Implied Equity Value as the initial referencing basis of the Consideration for negotiations with the Purchaser and upon rounds of arms' length commercial negotiations between the Vendor and the Purchaser, an additional amount of approximately RMB5.54 million over the Implied Equity Value as agreed between the Parties.

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

(i) the Company having obtained the consent and approval of the Stock Exchange for the Disposal (if required);

(ii) the Independent Shareholders having approved the Disposal in accordance with the Listing Rules;

(iii) the Vendor having obtained all other necessary consents and approvals for the purpose of executing, delivering and performing the Sale and Purchase Agreement, the relevant documents and transactions contemplated thereunder, including the approval of the shareholders' meeting and the approval of the Stock Exchange (if required);

(iv) the Purchaser having obtained all other necessary consents and approvals for the purpose of executing, delivering and performing the Sale and Purchase Agreement, the relevant documents and transactions contemplated thereunder;

(v) there having been no material adverse change to the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of any companies in the Disposal Group since date of the Sale and Purchase Agreement;

(vi) the Vendor and the Disposal Group having fully cooperated with the Purchaser and its appointed consultants and agents on their full and appropriate due diligence within 30 Business Days from the date of the Sale and Purchase Agreement in accordance with the reasonable request of the Purchaser, in respect of the assets, liabilities, operations and affairs of the Disposal Group, and the results of which being consistent in all material or substantive aspects with the information disclosed by the Vendor prior to the date of the Sale and Purchase Agreement and the information obtained by the Purchaser;

(vii) no court, arbitrator, government agency, statutory or regulatory body having ever issued or instituted any restrictions, prohibitions or illegalised any transactions under the Sale and Purchase Agreement, or any notices, orders, judgments, actions or legal proceedings that may reasonably have a material adverse effect on the Purchaser's rights, without any encumbrance, as a legal and beneficial owner of the Target Interest upon Completion;

(viii) the representations and warranties made by the Vendor under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties; and

(ix) the representations and warranties made by the Purchaser under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties.

The Vendor and the Purchaser shall use their respective best endeavours to procure the fulfilment of all the Conditions. The Purchaser shall use its best endeavours to procure the fulfilment of Conditions (vi) and (ix).

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

		Each Party has the right to waive the Condition that is required to be fulfilled by the other Party by written advance notice. As at the Latest Practicable Date, none of the Conditions above have been fulfilled. On 17 June 2021, the Parties signed an extension agreement to extend the Long Stop Date from 30 June 2021 to 30 September 2021.
Completion	:	Completion shall take place within 30 Business Days after the Conditions have been fulfilled and the First Payment and the Second Payment having been made, and shall be no later than the Long Stop Date. The Vendor and the Purchaser shall proactively cooperate with the Target Company to submit to the relevant local government authorities all relevant materials required for the approvals, consents and filings required for the Completion. In order to facilitate the Completion, the Parties shall endeavour to ensure the approval, filing and completion procedures of all relevant authorities (including but not limited to industry and commerce, foreign exchange, commerce and development and reform commission) required for the Completion be completed on or before the Long Stop Date and the Target Interests be transferred to the Purchaser. The Parties may negotiate on whether the Long Stop Date should be postponed.
		Upon full payment of the First Payment and the Second Payment by the Purchaser, the Vendor shall check all the assets of the Disposal Group and handover them to the Purchaser.
		The Vendor shall cooperate with the Purchaser to complete the procedure of the change of legal representative, director, supervisor and senior management after Completion if requested.

VALUATION OF THE DISPOSAL GROUP

According to the Valuation Report, the Implied Equity Value of the Target Company as at 30 June 2020, based on the market approach using historical figures, amounts to RMB664,463,000. The Valuer selected seven comparable companies based on the following criteria:

(i) The business activities of the companies involved manufacturing and sale of LED products in Asia;

(ii) The companies are listed in major stock exchanges;

(iii) The companies are profit making in reported last twelve months result; and

(iv) The financial information of the companies is available to the public.

Although the business scale of the comparable companies varied from the Target Company in terms of the revenue, business size and asset base, the Independent Valuer advised and the Board agreed that the primary factor to consider in multiple analysis should be the similarity of industry, while the scale should be irrelevant. The range of the multiples should be a reasonable benchmark for price multiple of the companies in the industry. In addition, given that only a limited number of comparable companies engaged in the manufacturing and sale of LED products in Asia and were profit-making in the trailing 12-month period, it is common to consider a comprehensive set of comparable companies instead of stripping down the sample size to a minimal, which may adversely affect the accuracy of the valuation due to the lack of representativeness of the sample. The Board and the Valuer confirm that, to their best information and belief, the group of selected seven comparable companies is fair, representative and exhaustive.

REASONS FOR AND BENEFITS OF THE DISPOSAL

2015 Acquisition

The Company entered into a share purchase agreement and an ESOP purchase agreement to acquire 59% of the issued share capital of the Vendor from a group of sellers including Mr. Wang Min, for an aggregate consideration of approximately HK$2,039,998,496, which was satisfied in full by the Company allotting and issuing 392,307,045 consideration Shares (the "**2015 Consideration Shares**") to the sellers at HK$5.20 per Share (the "**2015 Acquisition**"). The consideration for the 2015 Acquisition was determined after arm's length negotiations between the Company and the sellers on normal commercial terms, with reference to the valuation of the fair value of 59% equity interest in the Vendor of HK$2,400,000,000 as at 31 March 2015 by Grant Sherman Appraisal Limited, a qualified independent third party valuer, based on the discounted cash flow method.

As a technology leader in GaN-on-Silicon LED technology, the Vendor was the first company in the world to start the mass production of GaN-on-Silicon high power thin film vertical LED chips with industry-leading performance. The Vendor also owned significant patents and IP on the GaN-on-Silicon LED technology and was developing production on even larger wafer sizes (150–200 mm diameter) and integrated wafer-level packaging for driving down costs and increasing lumens/dollar.

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

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

(ii) The Vendor owned the disruptive 6-inch and 8-inch GaN-on-Silicon LED technology, with over 200 global patents awarded. Its vertical integration of the LED industrial chain and successful commercial mass production had resulted in the supply of low-cost LED lighting products featuring high performance for the purpose of general lighting, smart phone and automobile lighting.

(iii) As a persistent, reliable, energy-saving lighting technology featuring high performance, LED lighting had vast and bright market prospects. LED lighting, which saves 50%-80% energy in comparison to the ordinary lighting, would definitely replace the traditional lighting in every aspect. The revolutionary GaN-on-Silicon LED technology of the Vendor led to the drastic reduction in production cost when compared to the traditional GaN-on-Sapphire LED, which would result in the tremendous contribution to the profit of the Company. By virtue of the prominent core technology of the Vendor, the Company would proceed with the timely integration of the industrial chain on global basis in order to secure greater benefits.

The Vendor had issued certain existing warrants prior to the 2015 Acquisition. To avoid any dilution effect resulted from the conversion of such existing warrants affecting the Company's control over the Vendor, the Company had agreed to subscribe to the series E warrants and obtained a call option as part and parcel of the 2015 Acquisition.

As disclosed in the 2016 annual results announcement of the Company dated 28 March 2017, in light of the loss incurred by the Vendor in 2016, the management of the Group assessed the recoverable amounts in relation to each cash-generating-units determined based on a value-in-use calculation, and recognised impairment losses on goodwill and intangible assets of RMB412.2 million and RMB160.9 million respectively, and partial impairment losses on property, plant and equipment of RMB244.9 million in relation to the Disposal Group. In addition, the Group also recognised gain of RMB254.9 million on changes in fair value of the series E warrants in the Disposal Group in 2016.

2018 Disposal, Previously Proposed Subscription, 2019 Disposal and 2020 Disposal

The development of the business of the Group, in particular, the construction of the solar power plants in the PRC that the Group was previously involved in, 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 RMB1,163.0 million in its 2019 annual report and RMB781.8 million in its 2020 annual report, respectively. As disclosed in the Company's 2019 and 2020 annual reports, the Group was in a negative net cash position of RMB8,563.7 million and RMB6,360.8 million as at 31 December 2019 and 31 December 2020, 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; (ii) the proposed subscription of subscription shares (the "**Previously Proposed Subscription**") as disclosed in the announcements of the Company dated 9 January 2019, 30 January 2019, 28 February 2019, 29 March 2019 and 31 March 2019; (iii) the 2019 Disposal; and (iv) the 2020 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) (together with its subsidiaries, "**Jiangsu Shunfeng Group**"). 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 Jiangsu Shunfeng 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. As disclosed in note 52A(ii) to the consolidated financial statements in the 2019 Annual Report of the Company and note 50(ii) to the consolidated financial statements in the 2020 Annual Report of the Company, the Company has entered into supplementary agreements with Asia Pacific Resources to extend the payment of the amount of RMB1,745 million to 30 June 2021. As at the Latest Practicable Date, the Company has received RMB92.5 million from Asia Pacific Resources, and pursuant to the terms of the sale and purchase agreement for the 2018 Disposal, the amount received has been used to repay the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group. The Company expects that the remaining consideration of RMB1,652.5 million will be received from Asia Pacific Resources prior to 30 June 2021. 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 of the Company dated 30 June 2019. Further, as at the 30 April 2021, the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group was RMB1,645.5 million.

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 circular of the Company 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 Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司) ("**Jiangxi Shunfeng**"), Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司) ("**Shanghai Shunneng**") and Shijiazhuang Yakai New Energy Development Ltd.* (石家莊亞凱新能源開發有限公司) ("**Shijiazhuang Yakai**") (each a wholly-owned subsidiary of the Company) entered into 11 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 the Company (the "**2019 Subject Companies**"), with total installed capacity of 490MW in their solar power projects with the consideration including cash payment RMB641.4 million, dividends payment of RMB196.8 million and repayment of relevant payables of RMB787.7 million (subject to adjustment to the relevant payables). It was 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. Registration for share transfer had been completed in respect of all the 2019 Subject Companies in 2020. As at the Latest Practicable Date, the Group has received the RMB1,286.6 million from the 2019 Disposal Purchaser. The Company expects that the remaining amount of RMB99.6 million will be received from the 2019 Disposal Purchaser prior to 31 December 2021.

2020 Disposal

As disclosed in the announcement of the Company dated 18 March 2020 and the circular of the Company dated 15 June 2020, Jiangxi Shunfeng and Shanghai Shunneng, the indirectly wholly-owned subsidiaries 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) ("**Zhejiang Zhengtai**") on 16 March 2020, pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd and Shanghai Shunneng Investment Co., Ltd agreed to sell 100% of the equity interest in Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) (together, the "**2020 Subject Companies**") with the consideration including cash payment of RMB181.1 million and repayment of relevant payables of RMB287.8 million (subject to adjustment to the relevant payables). The registration of share transfer of the 2020 Subject Companies was completed in July 2020. As at the Latest Practicable Date, the Group has received RMB480.5 million from Zhejiang Zhengtai. The Company expects the remaining amount of RMB15.6 million will be received from Zhejiang Zhengtai prior to 31 July 2021.

However, although the completion of the 2018 Disposal, the 2019 Disposal and the 2020 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 Disposal; (ii) seeking extension of due dates of the relevant debts and/or alternative refinancing; and (iii) further disposal(s) of solar power plants in the PRC by tranches.

Working capital needs and reducing debt level

The Company has recorded a negative net cash position of RMB12,889.3 million as at 31 December 2018, RMB8,563.7 million as at 31 December 2019, and RMB6,360.8 million as at 31 December 2020. In particular, the Group's negative net cash position of RMB6,360.8 million as at 31 December 2020 included cash and cash equivalents of RMB226.7 million, bank and other borrowings of RMB5,440.0 million, convertible bonds of RMB529.1 million and bonds payable of RMB618.4 million.

As at the Latest Practicable Date, the Company has the following major debts due on or before 31 December 2021:

No.	Creditor	Principal Amount HK$'000	Principal Amount RMB'000	Due date	Negotiation status	Expected source of fund
1	Sino Alliance	351,000	—	31 December 2019 and seeking further extension date	The Company has been negotiating with the creditor to seek the further extension of amount of HK$351 million to 31 December 2021 since early September 2020.	The 2019 Disposal, the 2020 Disposal, the Disposal and Possible Disposals of Further Solar Power Plants
		800,000	—	31 December 2020 and seeking further extension date	The Company has been negotiating with the creditor to seek the further extension of amount of HK$800 million since early September 2020.	The Disposal and Possible Disposals of Further Solar Power Plants and potential extension
2	China Minsheng Banking Corp., Ltd Hong Kong Branch	300,000	—	31 December 2021	N/A	The 2019 Disposal, the 2020 Disposal and the Disposal
3	Chongqing International Trust Co., Ltd* (重慶國際信託股份有限公司)	—	666,000	30 September 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of RMB666 million to 31 December 2021. The Company expects to enter into a potential extension agreement with the creditor in July 2021.	Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
4	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")	—	356,900	31 March 2020 and seeking further extension date	The Company is currently in negotiation with the bondholders to seek the further extension of amount of RMB356.9 million.	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
5	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")	—	255,463	25 October 2021	N/A	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
6	True Bold Global Limited	171,696	—	27 November 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK$172 million.	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants
7	Rainbow Fort Investments Limited	175,000	—	30 November 2021	N/A	Possible Disposals of Further Solar Power Plants
	Total	**1,797,696**	**1,278,363**			

As at the Latest Practicable Date, the Company has not received any demand of immediate repayment from the creditors of the Company.

The Company is in the process of seeking additional capital for the repayment of the above debts that are due on or before 31 December 2021. In the alternative, the Company will seek to negotiate with the relevant creditors to seek refinancing and/or extension of due dates of the relevant debts, if necessary. As disclosed in the sub-section headed "The Sale and Purchase Agreement — Consideration and payment" above, the Consideration is RMB670 million and the Company is entitled to approximately RMB390.6 million. As such, the Company expects that the proceeds from the Disposal will help, among other things, the improvement of the Company's balance sheet position by reducing its debt level.

In order to settle the major debts falling due on or before 31 December 2021, the Company intends to (i) settle part of the debts with a substantial part of the Consideration amounting to approximately RMB340.6 million; (ii) engage in further negotiations with the major creditors of the Company including Sino Alliance, the holders of the 2015 Corporate Bond and the holders of the 2016 Corporate Bond 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 2021. 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, the Company has not entered into any other arrangements or agreements or understanding, whether formal or informal with any potential purchasers.

Reference is made to the 2020 annual report of the Company published on 29 April 2021. As set out in note 1(b) to the consolidated financial statements in the 2020 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 2020 on multiple 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 2019 Disposal, the 2020 Disposal and the Disposal, 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 three years. As at the Latest Practicable Date, the Company has collected the subsidies for and until around March 2018, with an amount of RMB3,040 million in aggregate; in other words, subsidies for the solar power plants of the Group eligible for renewable energy tariff has been in arrears for three years. As at 31 December 2020, the Company has a subsidy receivable of approximately RMB1,771 million and receivables on accrued revenue on tariff subsidies from the State Grid of approximately RMB1,709 million from the Group consolidated 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. The speed of payment of tariff subsidies by the State Grid had been further reduced in 2020, which had created more pressure on the operating cash flow of the Group. The Company believes that it is probable to receive the tariff subsidies, as this is supported by the Renewable Energy Law and the regulations of the National Development and Reform Commission. In addition, the National Development and Reform Commission, the Ministry of Finance, the People's Bank of China, the China Banking and Insurance Regulatory Commission and the National Energy Administration jointly issued the Notice on Encouraging the Intensified Financial Support to Promote the Sound and Orderly Development of Wind Power and Photovoltaic Power Industries (the "**Notice**") in February 2021. The Notice encouraged financial institutions to provide further financial support to the enterprises in the renewable energy industry (including the photovoltaic industry). There is no condition required to be met by the Company before receiving the tariff subsidies.

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 pressure to the deteriorating cash flow condition of the Group. The difficulties faced by the Group are not only specific to the Group 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 2018 Disposal, the 2019 Disposal and the 2020 Disposal having been completed, 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. The Disposal will generate an immediate cash inflow of approximately RMB390.6 million to the Company, which would help the Company repay its debts that are due or will become due in approximately six months from the date of this circular according to the use of proceeds in the section headed "Use of Proceeds" below.

The Board has considered and compared the Disposal and the disposal of other assets of the Group (i.e. the remaining solar power plants) carefully. The Board believed that the following reasons for the Disposal outweight the benefits of keeping the Disposal Group in the Group (similar to the benefits of the 2015 Acquisition), or the benefits of disposing the remaining solar power plants of the Group:

(a) the PRC Government's positive policy direction in relation to the future development of the renewable energy industry (including the photovoltaic industry);

(b) the renewed strategy of the Group to lower its exposure to the LED products industry and focus more on the PRC Power Generation Business. As compared to the LED Business's prospect, the management of the Group also believes that the PRC's carbon neutrality and carbon peak targets will bring more opportunities to the PRC Power Generation Business which is the core competence of the Group;

(c) the lower synergy benefit from the 2015 Acquisition in the whole Group. After more than 5 years' operation, the management of the Group realised that the reduction of average cost and increase in revenue at the Group level and the cross-selling effect brought by the Target Group have been lower than expected, because it has been more difficult than the management of the Group contemplated to integrate the PRC Power Generation Business and the LED Business with different business models and target customers;

(d) the continued and high research and development cost of the LED products industry;

(e) the high level of debt and financing cost of the Group; and

(f) the payment of the Consideration by cash or assignment of debt of the Group to the Purchaser will immediately reduce the level of debt of the Group.

The Vendor has made significant efforts in searching for potential purchasers of the Disposal Group. However, considering the relatively small size of the Disposal Group compared with other companies and the increasingly intense competition in the LED industry, the Vendor could only identify a limited number of potential purchasers.

As Mr. Wang Min has been very familiar with the LED industry and the 6-inch and 8-inch GaN-on-Silicon LED technology, and has a dedicated plan for the future development of the Disposal Group, the Purchaser is willing to acquire the Target Interest with more favourable terms compared with other potential purchasers.

The Board understands that the Purchaser will continually expose and invest into this aspect upon the Completion. 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 the Disposal is fair and reasonable and hence in the interest of the Company and the Shareholders as a whole. As such, the Company eventually decided to proceed with the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

With respect to the 2015 Acquisition, the Company entered into a share purchase agreement and an ESOP purchase agreement to acquire 59% of the issued share capital of the Vendor from a group of sellers including Mr. Wang Min, for an aggregate consideration of approximately HK$2,039,998,496 by allotting and issuing the 2015 Consideration Shares to the sellers at HK$5.20 per Share.

The 2015 Acquisition was completed on 6 August 2015 (the "**Completion Date of the 2015 Acquisition**"). With reference to the Note 47 to the consolidated financial statements in the 2015 annual report of the Company, the fair value of the 2015 Consideration Shares was determined by using the market price of the Shares as published by the Stock Exchange on the Completion Date of the 2015 Acquisition, which was HK$2.22 per Share. The fair value of the 2015 Consideration Shares was recorded of totaling HK$870,922,000 by way of issuance of the 2015 Consideration Shares (equivalent to RMB687,357,000) (the "**Fair Value of the 2015 Consideration Shares**"). The amount of the aggregate consideration of approximately HK$2,039,998,496 based on HK$5.20 per Share was not recorded as the consideration transferred by the Group.

The fair value of the assets acquired as at the Completion Date of the 2015 Acquisition was approximately RMB1,324.1 million (including but not limited to property, plant and equipment of RMB469.2 million, trade and other receivables of RMB234.5 million and intangible assets of RMB154.2 million). The liabilities recognised as at the Completion Date of the 2015 Acquisition was approximately RMB674.2 million (including but not limited to warrant liabilities of RMB267.4 million, borrowings of RMB200.2 million and trade and other payables of RMB157.4 million). The net assets acquired as at the Completion Date of the 2015 Acquisition was therefore RMB649.9 million. As a result, a goodwill of the 2015 Acquisition of RMB412.2 million arose, based on the Fair Value of the 2015 Consideration Shares of RMB687.4 million plus non-controlling interest of RMB374.7 million and minus the net assets acquired of RMB649.9 million.

In light of the loss incurred by the Disposal Group (as the operating entities under the Vendor) in 2016, the management of the Group assessed the recoverable amounts in relation to each cash-generating-units determined based on a value-in-use calculation, and recognised impairment losses on goodwill and intangible assets of RMB412.2 million and RMB160.9 million respectively, and partial impairment losses on property, plant and equipment of RMB244.9 million in relation to the Disposal Group.

As at 31 December 2016, the residual value of the goodwill and intangible assets of the Disposal Group after the impairment recognition in 2016 were nil, while the residual value of the property, plant and equipment of the Disposal Group after the impairment recognition in 2016 was approximately RMB224.3 million. In comparison, based on the unaudited financial information of the Disposal Group as at 31 December 2020, the value of property, plant and equipment was approximately RMB207.4 million. Save as disclosed above, there has been no other material impairment in relation to the Vendor or the Disposal Group from 31 December 2016 up to the Latest Practicable Date.

Based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB103.2 million as a result of the Disposal. The gain of approximately RMB103.2 million from the Disposal is calculated based on the Consideration (RMB670 million), minus the unaudited net asset value of the Disposal Group as of 31 December 2020 (RMB565.3 million) and the relevant fees incurred from the Disposal, including but not limited to the professional fees and administrative fees (RMB1.5 million). The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to the final audit to be performed by the auditors of the Company.

The Disposal Group recorded the annual total revenue of RMB334.5 million, RMB362.7 million and RMB561.9 million, for the year ended 31 December 2018, 2019 and 2020, respectively.

It is estimated that the Group's earnings will increase by approximately RMB103.2 million upon the Completion. Assuming the Disposal had taken place on 31 December 2020, it is estimated that the assets and liabilities of the Group will decrease by RMB65.1 million and RMB168.6 million, respectively.

USE OF PROCEEDS

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

(a) RMB50.0 million of the Consideration will be used as working capital of the Group; and

(b) RMB340.6 million will be used to repay the debts.

INFORMATION ON THE DISPOSAL GROUP

Information on the Target Company

The Target Company is a company established under the laws of the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company, which operates the manufacturing and sale of LED products businesses of the Group.

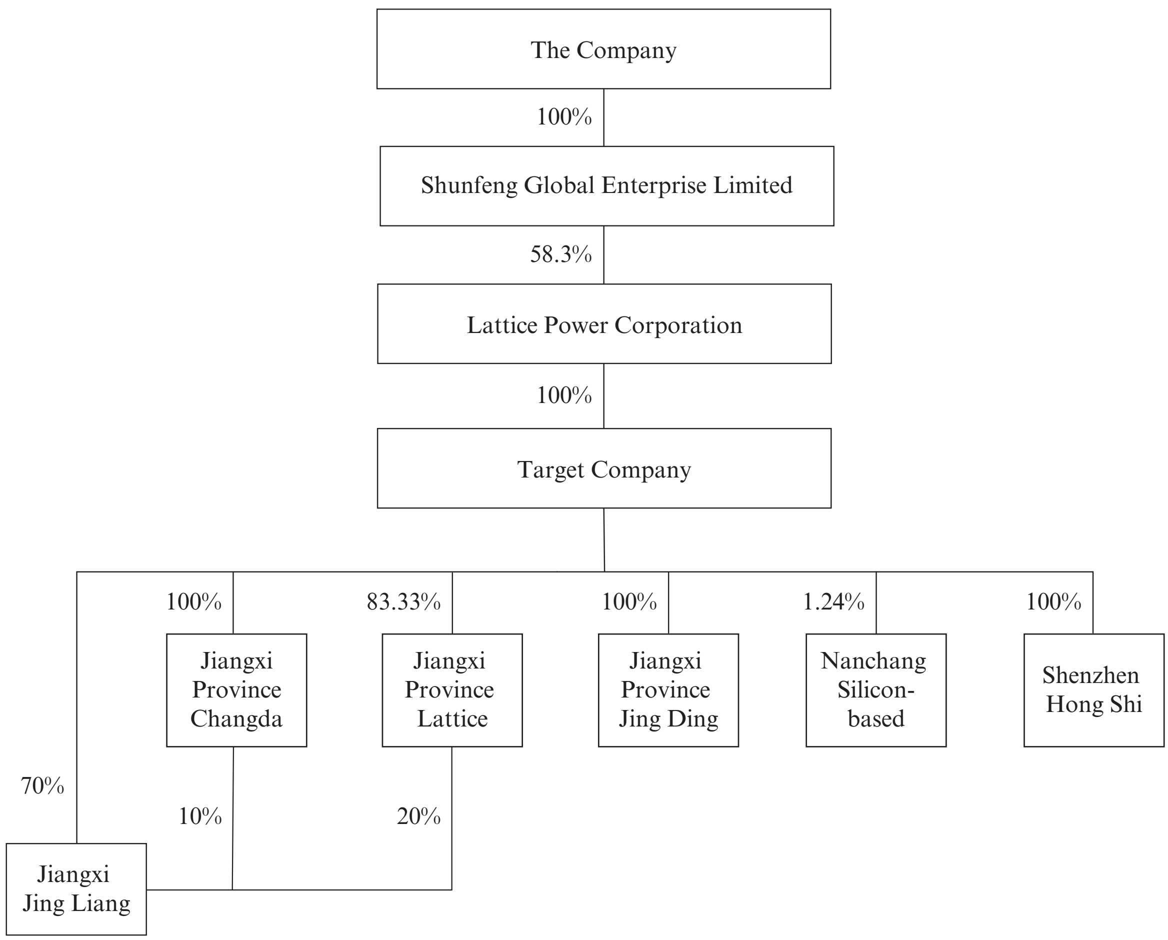
Further details of the Target Company and the principal subsidiaries and joint ventures of the Target Company are set out as follows:

No.	Name	Principal business	Principal place of business	Equity interest held by the Target Company
1.	Target Company	Manufacturing and sale of LED products	PRC	Not applicable
2.	Jiangxi Jing Liang Photovoltaic Technology Coordinative Innovation Co., Ltd* (江西晶亮光電科技協同創新有限公司) (“**Jiangxi Jing Liang**”)	Manufacturing and sale of CSP LED products	PRC	70%
3.	Jiangxi Province Changda Photovoltaic Technology Co., Ltd* (江西省昌大光電科技有限公司) (“**Jiangxi Province Changda**”)	Manufacturing and sale of LED module products	PRC	100%
4.	Jiangxi Province Lattice Semiconductor Co., Ltd* (江西省晶能半導體有限公司) (“**Jiangxi Province Lattice**”)	Manufacturing and sale of LED Ceramic Packaging products	PRC	83.33%
5.	Jiangxi Province Jing Ding International Trade Co., Ltd (江西省晶鼎國際貿易有限公司) (“**Jiangxi Province Jing Ding**”)	Investment Holding	PRC	100%
6.	Nanchang Silicon-based Semiconductor Technology Co., Ltd* (南昌硅基半導體科技有限公司) (“**Nanchang Silicon-based**”)	Manufacturing and sale of LED products	PRC	1.24% *(Note 1)*
7.	Shenzhen Hong Shi Photovoltaic Co., Ltd* (深圳紅石光電有限公司) (“**Shenzhen Hong Shi**”)	Manufacturing and sale of LED Lighting products	PRC	100%

Note 1: Nanchang Silicon-based is not a principal joint venture of the Target Company, and the Target Company's 1.24% interest in Nanchang Silicon-based was classified as financial assets at fair value through profit or loss with fair value of RMB2.2 million in the consolidated financial statements of the Group for the year ended 31 December 2020.

Ownership structure of the Disposal Group

The ownership structure of the Disposal Group is set out below:



Financial information on the Disposal Group

Based on the unaudited combined financial statement of the Disposal Group prepared by the management of the Group, the financial information on the Disposal Group for the three years ended 31 December 2018, 2019 and 2020 is as follows:

	For the year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Net profit before taxation	61,016	53,175	129,253
Net profit after taxation	60,529	48,458	126,398

The unaudited net asset value and the unaudited total asset value of the Disposal Group as at 31 December 2020 was approximately RMB565 million and RMB761 million, respectively. The Consideration represents an excess of the unaudited net asset value of the Disposal Group as at 31 December 2020 by RMB105 million.

As at the Latest Practicable Date, 58.3% of equity interest in the Target Company is held by the Vendor. Upon the Completion, the Company will not hold any interest in the Disposal Group and each entity of the Disposal Group will cease to be a subsidiary of the Company and the financial positions and results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE GROUP

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

Information on the Post Disposal Remaining Group

Upon the Completion, the Post Disposal Remaining Group will continue to operate the PRC Power Generation Business.

The PRC Power Generation Business comprises the operation of solar power plants in the PRC. Construction of the Post Disposal Remaining Group's first solar power plant in the PRC commenced in 2011. As at the Latest Practicable Date, the Post Disposal Remaining Group operated 38 solar power plants in the PRC situated in 9 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 Disposal Remaining Group, as at 31 December 2020, the Post Disposal Remaining Group's on-grid solar power plants in the PRC account for approximately 0.32% 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 Disposal Remaining Group as at the Latest Practicable Date.

Location	**Capacity** *(MW)*	**Status**
Xinjiang	408	Grid-connected
Hebei	163	Grid-connected
Yunnan	50	Grid-connected
Zhejiang	32	Grid-connected
Qinghai	30	Grid-connected
Jiangsu	29	Grid-connected
Shandong	26	Grid-connected
Hunan	15	Grid-connected
Tibet	10	Grid-connected

The solar power plants of the Post 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 763MW.

Set out below are the total assets value, revenue and net loss attributable to the Post Disposal Remaining Group for the three years ended 31 December 2018, 2019 and 2020:

	31 December 2018	31 December 2019	31 December 2020
Total assets *(RMB'000)*	7,661,158	7,146,589	7,222,373
Revenue *(RMB'000)*	628,805	639,013	649,967
Net profit/(loss) attributable to the Post Disposal Remaining Group *(RMB'000)*	(226,007)	(526,003)	(180,926)

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 the Disposal — Delay in receiving tariff subsidy and receivables from State Grid", the tariff subsidies receivables are currently outstanding in arrears for three 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 articles published by the Ministry of Finance, 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 three years, and the Board expects that the payment of the tariff subsidies will remain in arrears for a period of three years based on the actual distribution from the Renewable Energy Development Fund in 2020. 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 March 2018. As the Ministry of Finance 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 has generally distributed tariff subsidies in arrears three 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 during the period from April to December in the financial year 2018 during the course of 2021. As such, the total amount of tariff subsidies being in arrears is expected to remain constant and the amount will not increase further in 2021. 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 2021, 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 the Completion, 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 2021 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.

Information on customers

For the three years ended 31 December 2018, 2019 and 2020, the total number of customers in respect of the Group's PRC Power Generation Business was 40, 39 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 763 MW of installed capacity with the relevant branches of the State Grid.

Information on suppliers

For the three years ended 31 December 2018, 2019 and 2020, the total number of suppliers in relation to the PRC Power Generation Business was 12, 12 and 18, respectively. Further, for the three years ended 31 December 2018, 2019 and 2020, the total supplier purchase amount of the PRC Power Generation Business was RMB130.4 million, RMB9.3 million and RMB4.3 million, respectively. As construction of the power plants gradually completed, the Company's purchase amount decreased year by year since 2018.

Scale of operation of the Post Disposal Remaining Group

As set out above, the revenue generated from the Post Disposal Remaining Group for the three years ended 31 December 2018, 2019 and 2020 was approximately RMB628.81 million, RMB639.01 million and RMB649.97 million, respectively. The solar power plants of the Post 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 763 MW. The Post Disposal Remaining Group employs approximately 100 staff.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated under the laws of Cayman Islands with limited liability and an indirect non wholly-owned subsidiary of the Company. The Vendor is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries.

Details of the shareholders of the Vendor and their respective ultimate beneficial owners are set out as follows:

Name of shareholders	Ultimate beneficial owner of shareholders	Amount of shareholding	Percentage of shareholding
Andrew Yeo Khee Huat	Andrew Yeo Khee Huat	20,349	0.02%
Asia Pacific Resources Development Investment Limited	Cheng Kin Ming	9,083,179	10.79%
Banean Holdings Ltd	Wai Ping Ledng	28,000	0.03%
CH Investments Ltd	David Hand	2,419,676	2.88%
Che-Chan Kau	Che-Chan Kau	16,279	0.02%
D&H Family Trust	Feng Deng	33,222	0.04%
Daystar Holdings LLC	Cole Sirucek	20,349	0.02%
Deqing Liu	Deqing Liu	333,200	0.40%
Edward B Roberts	Edward B Roberts	20,349	0.02%
Frank (Hurst) Lin	Frank (Hurst) Lin	33,222	0.04%
G-O Scale Capital Management Co., LLC	Sonny Wu	770,001	0.91%
Great Hunter International Limited	Wang Gang	1,592,500	1.89%
GSR Opportunities IV, L.P.	Richard Lim, James Ding, Ryann Yap, Alexander Pan and Allen Zhu	1,364,708	1.62%
GSR Principals Fund I, L.P.	Richard Lim, James Ding, Ryann Yap and Alexander Pan	123,245	0.15%
GSR Principals Fund IV, L.P.	Richard Lim, James Ding, Ryann Yap, Alexander Pan and Allen Zhu	37,870	0.05%
GSR Ventures I, L.P.	Richard Lim, James Ding, Ryann Yap and Alexander Pan	3,951,046	4.69%
GSR Ventures III, L.P.	Richard Lim, James Ding, Ryann Yap and Alexander Pan	4,443,514	5.28%
Guang Hua Zhou	Guang Hua Zhou	24,418	0.03%
Guoqiang Tang	Guoqiang Tang	2,271,473	2.70%
James H Boettcher	James H Boettcher	20,349	0.02%
Jia-Fann Chen	Jia-Fann Chen	8,139	0.01%
Keytone Ventures, L.P.	Joe Zhou	976,744	1.16%
Mayfield Associates Fund XII (a Delaware Limited Partnership)	Kevin Fong	50,190	0.06%
Mayfield Principals Fund XII (a Delaware Multiple Series LLC)	Kevin Fong	50,190	0.06%
Mayfield XII (a Delaware Limited Partnership)	Kevin Fong	3,245,678	3.86%
Meyer International Holdings Limited	Cheng Kin Sui, Cheng Kin Ping, Cheng Shu Lok, Lo Kai Chiu, Wong Chi King, Cheng Shu Kwok, Cheng Shu King, Cheng Shiu Yin, Lui Ming Wah, Cheng Vincent Chi Seng	105,000	0.13%
Nantin Enterprise Limited	Lui Ming Wah	63,000	0.07%
SEFAM Networks, Inc	Moses T Asom	8,139	0.01%
Shunfeng Global Enterprise Limited	Shunfeng International Clean Energy Limited	49,086,570	58.33%
Signeo Limited	So Yuk Kwan, Yeung Kit Ling	549,500	0.65%

Name of shareholders	Ultimate beneficial owner of shareholders	Amount of shareholding	Percentage of shareholding
Silverpointe Investments Ltd	Yang Yang	24,418	0.03%
So Chi On	So Chi On	402,500	0.48%
Telok Ayer Street VI Limited	Chan Kin, Li Yick Yee Angie, Yeh V Nee, Li Kwok Sing	1,220,930	1.45%
The Li/Liu Family Trust	Sophia Ziting Liu	8,139	0.01%
Wesley Wong	Wesley Wong	16,279	0.02%
Yuntian Investment Company Limited	Xiang Yun	105,813	0.13%
Ai Longjiang	Ai Longjiang	597	0.00%
Cai Desheng	Cai Desheng	592	0.00%
Chen His-Wen	Chen His-Wen	1,225	0.00%
Chen Rui	Chen Rui	7,656	0.01%
Chen Wen	Chen Wen	1,000	0.00%
Cheng Haiying	Cheng Haiying	4,900	0.01%
Duan Qun	Duan Qun	408	0.00%
Fang Wenqing	Fang Wenqing	270,970	0.32%
Fu Guiping	Fu Guiping	3,062	0.01%
Geng Lin	Geng Lin	296	0.00%
Han Bin	Han Bin	429	0.00%
Hu Wumin	Hu Wumin	766	0.00%
Hu Xiaohui	Hu Xiaohui	429	0.00%
Huang Wenli	Huang Wenli	1,225	0.00%
Huang Yi	Huang Yi	367	0.00%
Huang Yonglin	Huang Yonglin	45,937	0.05%
Jiang Jinhe	Jiang Jinhe	137,608	0.16%
Li Jianhong	Li Jianhong	143	0.00%
Li Tao	Li Tao	1,225	0.00%
Li Yongbo	Li Yongbo	714	0.00%
Liao Lianbin	Liao Lianbin	14,884	0.02%
Liu Hechu	Liu Hechu	70,560	0.08%
Liu Junlin	Liu Junlin	10,311	0.01%
Liu Weihua	Liu Weihua	5,880	0.01%
Liu Xi	Liu Xi	357	0.00%
Liu Yan	Liu Yan	893	0.00%
Liu Yansong	Liu Yansong	545	0.00%
Lu Chong-Jung	Lu Chong-Jung	1,225	0.00%
Lu Yongcan	Lu Yongcan	2,756	0.01%
Luo Xiaoping	Luo Xiaoping	23,520	0.03%
Luo Zhongdong	Luo Zhongdong	541	0.00%
Mo Baolan	Mo Baolan	1,800	0.00%
Mo Chunlan	Mo Chunlan	131,320	0.16%
Peng Kuo-Huan	Peng Kuo-Huan	1,225	0.00%
Peng Shaopeng	Peng Shaopeng	4,900	0.01%
Pu Yong	Pu Yong	211,680	0.25%
Qian Yaying	Qian Yaying	7,350	0.01%
Qiu Chong	Qiu Chong	490	0.00%
Qu Dejiu	Qu Dejiu	3,266	0.01%
Quan Zhijue	Quan Zhijue	9,212	0.01%
Shangguan Xianwei	Shangguan Xianwei	898	0.00%
Shi Wei	Shi Wei	245	0.00%
Song Ling	Song Ling	13,557	0.02%

Name of shareholders	Ultimate beneficial owner of shareholders	Amount of shareholding	Percentage of shareholding
Tan Yan	Tan Yan	490	0.00%
Tang Huihua	Tang Huihua	429	0.00%
Tang Yingwen	Tang Yingwen	11,178	0.01%
Wan Feihua	Wan Feihua	133	0.00%
Wan Yonghua	Wan Yonghua	449	0.00%
Wang Hui	Wang Hui	23,520	0.03%
Wang Jiangrong	Wang Jiangrong	1,000	0.00%
Wang Li	Wang Li	265,274	0.32%
Wang Wenming	Wang Wenming	418	0.00%
Wang Xiao	Wang Xiao	429	0.00%
Wang Xiaolan	Wang Xiaolan	19,253	0.02%
Wang Xiaoping	Wang Xiaoping	571	0.00%
Wei Ping	Wei Ping	266	0.00%
Wu Yun	Wu Yun	3,000	0.01%
Xi Jianhua	Xi Jianhua	898	0.00%
Xiao Hanmei	Xiao Hanmei	245	0.00%
Xiao Weiping	Xiao Weiping	276	0.00%
Xie Anjun	Xie Anjun	266	0.00%
Xiong Chuanbin	Xiong Chuanbin	129,360	0.15%
Xiong Xichun	Xiong Xichun	1,000	0.00%
Xu Xiaohong	Xu Xiaohong	163	0.00%
Ye Shaoqi	Ye Shaoqi	449	0.00%
Ye Zhongchun	Ye Zhongchun	1,817	0.00%
Yi Feilong	Yi Feilong	1,000	0.00%
Yin Mingqing	Yin Mingqing	490	0.00%
You Da	You Da	1,327	0.00%
Yu Cairong	Yu Cairong	1,174	0.00%
Zeng Ping	Zeng Ping	183	0.00%
Zhang Meng	Zhang Meng	2,246	0.01%
Zhang Qinghe	Zhang Qinghe	898	0.00%
Zheng Changda	Zheng Changda	6,354	0.01%
Zheng Chanjuan	Zheng Chanjuan	837	0.00%
Zhou Biao	Zhou Biao	3,907	0.01%
Zhou Kaifang	Zhou Kaifang	490	0.00%
Zhou Maoxing	Zhou Maoxing	70,560	0.08%
Zhou Yinhua	Zhou Yinhua	970	0.00%
Zhu Baosheng	Zhu Baosheng	163	0.00%
Ziting S Liu	Ziting S Liu	80,313	0.10%
Total		**84,156,938**	**100.00%**

Apart from the Disposal Group, the Vendor directly and indirectly holds the entire equity interest of Lattice Power Inc., Lattice Power (Hong Kong) Limited and Lattice (Changzhou) Co., Ltd* (晶能光電(常州)有限公司), which are the holding companies of the LED Business.

INFORMATION ON THE PURCHASER

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, the Purchaser is held as to 61.54% by Mr. Wang Min, a director of the Vendor which is an indirect non wholly-owned subsidiary of the Company and the ultimate beneficial owner of the Purchaser, 23.08% by Nanchang Guanggu Photovoltaic Industrial Fund Partnership (Limited Partnership)* (南昌光穀光電產業基金合夥企業(有限合夥)) whose general partner is Gongqingcheng Kangheda Investment Partnership (Limited Partnership)* (共青城康和達投資合夥企業(有限合夥)) and whose general partner in turn is Nanchang Houde Capital Management Co., Ltd* (南昌厚德資本管理有限公司), and 15.38% by Jiangxi Wenxin Industrial Co., Ltd* (江西文信實業有限公司) whose equity interest is 90% held by Mr. Wang Gang and 10% by Shenzhen Chepu Industrial Holding Co., Ltd* (深圳車僕實業控股有限公司). The Purchaser is therefore an associate of Mr. Wang Min and a connected person of the Company.

The sellers in the 2015 Acquisition included the shareholder sellers and the ESOP sellers. Mr. Wang Min was one of the ESOP sellers and was entitled to 8,262,048 new Shares allotted by the Company at the issue price of HK$5.20 per Share. The total value of Shares received by Mr. Wang Min in the 2015 Acquisition was HK$42.9 million as at the time of the 2015 Acquisition. As the aggregate Consideration of the Disposal is RMB670 million and the Purchaser is held as to 61.54% by Mr. Wang Min, the portion of aggregate Consideration attributable to Mr. Wang Min is RMB412.3 million (equivalent to HK$489.9 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 25%, but all of the applicable percentage ratios are less than 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is held as to 61.54% by Mr. Wang Min, a director of the Vendor which is an indirect non wholly-owned subsidiary of the Company, and is therefore a connected person of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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

EGM

An EGM will be convened and held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 13 July 2021 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction must abstain from voting on the relevant resolution at the EGM. As disclosed in the section headed "Information on the Purchaser" above, Mr. Wang Min will be required to abstain from voting on the resolution approving the Disposal. As at the Latest Practicable Date, Mr. Wang Min controlled or was entitled to exercise control over voting rights in respect of 1,888,048 Shares, representing approximately 0.04% of the entire issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

(i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Wang Min, whereby he had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of his Shares to a third party, whether generally or on a case-by-case basis;

(ii) Mr. Wang Min was not subject to any obligation or entitlement whereby he had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, whether generally or on a case-by-case basis; and

(iii) it was not expected that there would be any discrepancy between Mr. Wang Min's beneficial shareholding interest in the Company and the number of Shares in respect of which he would control or would be entitled to exercise control over the voting right at the EGM.

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

A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://sfcegroup.com). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that while the Sale and Purchase Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. None of the Directors has any material interest in the Share Purchase Agreement and the transactions contemplated thereunder and hence no Director was required to abstain from voting on the Board resolution of the Company approving the Share Purchase Agreement and the transactions contemplated thereunder.

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

FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 36 to 37 of this circular, containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 38 to 76 of this circular, containing its recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (iii) the additional information set out in the appendices to this circular. The Independent Shareholders are advised to read the aforesaid letters and appendices before deciding as to how to vote on the resolution approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

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

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

By order of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman and Chief Executive Officer

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)

23 June 2021

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION AND (2) NOTICE OF EGM

We refer to the circular of the Company dated 23 June 2021 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

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

We wish to draw your attention to (i) the "Letter from the Board" set out on pages 5 to 35 of the Circular; (ii) the "Letter from the Independent Financial Adviser" set out on pages 38 to 76 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

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

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

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

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

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder for the purpose of incorporation into this circular.

Opus Capital Limited
創富融資有限公司

18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

23 June 2021

To: *the Independent Board Committee and the Independent Shareholders of Shunfeng International Clean Energy Limited*

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 23 June 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

THE SALE AND PURCHASE AGREEMENT

As stated in the Letter from the Board, on 31 December 2020 (after trading hours), the Vendor (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Target Interest, representing 100% of the equity interests in the Target Company, at an aggregate Consideration of RMB670 million.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 25%, but all of the applicable percentage ratios are less than 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is held as to 61.54% by Mr. Wang Min, a director of the Vendor which is an indirect non wholly-owned subsidiary of the Company, and is therefore a connected person of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Listing Rules, any shareholder with a material interest in the relevant connected transaction must abstain from voting on the relevant resolution at the EGM. As mentioned above, Mr. Wang Min will be required to abstain from voting on the resolution approving the Disposal. As at the Latest Practicable Date, Mr. Wang Min controlled or was entitled to exercise control over voting rights in respect of 1,888,048 Shares, representing approximately 0.04% of the entire issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

(i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Wang Min, whereby he had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of his Shares to a third party, whether generally or on a case-by-case basis;

(ii) Mr. Wang Min was not subject to any obligation or entitlement whereby he had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, whether generally or on a case-by-case basis; and

(iii) it was not expected that there would be any discrepancy between Mr. Wang Min's beneficial shareholding interest in the Company and the number of Shares in respect of which he would control or would be entitled to exercise control over the voting right at the EGM.

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

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders as to (i) whether the terms of Sale and Purchase Agreement are fair and reasonable; (ii) whether the Sale and Purchase Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted as an independent financial adviser to the Company. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things:

(i) the Sale and Purchase Agreement;

(ii) the Disposal Announcement;

(iii) the Company's annual reports for the years ended 31 December ("**FY**") 2019 (the "**2019 Annual Report**") and 2020 (the "**2020 Annual Report**");

(iv) the valuation report issued by AVISTA Valuation Advisory Limited (the "**Valuer**") on the valuation of the implied equity value of the Target Company as set out in Appendix III to the Circular (the "**Valuation Report**");

(v) the valuation working papers and supporting documents as provided by the Valuer; and

(vi) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and continued to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided to us by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implications on the Group as a result of the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Directors jointly and severally accept full responsibility for the Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of Sale and Purchase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Information on the Group

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

Financial performance of the Group

Set out below are highlights of certain financial information on the Group for FY2018, FY2019 and FY2020 as extracted from the 2019 Annual Report and the 2020 Annual Report:

Table 1: Financial results of the Group

	FY2018 *RMB'000* (audited)	**FY2019** *RMB'000* (audited)	**FY2020** *RMB'000* (audited)
Revenue	**1,642,915**	**1,731,106**	**1,466,320**
— Solar power generation	1,308,394	1,368,362	904,422
— Manufacturing and sales of LED products	334,521	362,744	561,898
Segment profit/(loss)	**297,053**	**(763,868)**	**335,953**
— Solar power generation	294,421	(816,041)	243,903
— Manufacturing and sales of LED products	2,632	52,173	92,050
Loss attributable to equity holders of the Company	**948,541**	**2,013,903**	**501,622**

Source: 2019 Annual Report and 2020 Annual Report

FY2020 compared to FY2019

The total revenue from continuing operations of the Group decreased from approximately RMB1,731.1 million in FY2019 to approximately RMB1,466.3 million in FY2020, representing a decrease of approximately RMB264.8 million or approximately 15.3% which was mainly attributable to: (i) revenue from several subsidiaries of the Group, which were disposed during FY2020, was recognised for the entire FY2019 but only recognised for a few months for FY2020; and (ii) the solar power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during FY2020 which resulted in a decrease in power generation. In FY2020, the revenue was primarily generated from two major business lines: (i) solar power generation in the PRC; and (ii) manufacturing and sales of LED products.

In FY2020, the revenue generated from solar power generation accounted for approximately 61.7% of the total revenue of the Group which amounted to approximately RMB904.4 million, representing a decrease of approximately RMB464.0 million or approximately 33.9% which was mainly attributable to a decrease of approximately 35.9% or 661,195 megawatt hour ("**MWh**") in the amount of power generated for which revenue was recognised. The amount of power generated decreased from 1,843,762 MWh in FY2019 to 1,182,567 MWh in FY2020. The revenue from the sales of LED chips, LED packages and other LED products increased from approximately RMB362.7 million in FY2019 to approximately RMB561.9 million in FY2020, representing a significant increase of approximately RMB199.2 million or 54.9%.

The loss from continuing operations attributable to the Shareholders decreased from approximately RMB2,013.9 million in FY2019 to approximately RMB501.6 million in FY2020, representing a significant decrease of approximately RMB1,512.3 million or 75.1%. It was mainly resulted from the decrease in net loss recorded for other gains and losses. The net loss recorded for other gains and losses significantly decreased from approximately RMB1,302.3 million in FY2019 to approximately RMB224.2 million in FY2020, representing a significant decrease of approximately RMB1,078.1 million or 82.8% resulted from: (i) the absence of an impairment loss recognised on assets classified as held for sale while such impairment loss amounted to approximately RMB851.4 million in FY2019.

FY2019 compared to FY2018

The Group recorded a total revenue of approximately RMB1,731.1 million in FY2019 from continuing operations, representing a slight increase of approximately RMB88.2 million or approximately 5.4% as compared to the total revenue of approximately RMB1,642.9 million in FY2018 which was mainly attributable to the restriction on limiting the use of electricity has been partly relieved in the provinces and regions where the power plants of the Group are located in FY2018 as compared to FY2019. In FY2019, the revenue was primarily generated from two major business lines: (i) solar power generation in the PRC; and (ii) manufacturing and sales of LED products.

In FY2019, the revenue generated from solar power generation accounted for almost 79.0% of the total revenue of the Group which amounted to approximately RMB1,368.4 million, representing a slight increase of approximately 4.6% as compared to approximately RMB1,308.4 million in FY2018 which was mainly attributable to an increase of approximately 5.0% or 87,235 MWh in the amount of power generated for which revenue was recognised. The amount of power generated increased from 1,754,873 MWh in FY2018 to 1,842,108 MWh in FY2019. The revenue from the sales of LED chips, LED packages and other LED products increased from approximately RMB334.5 million in FY2018 to approximately RMB362.7 million in FY2019, representing an increase of approximately RMB28.2 million or 8.4%.

The loss from continuing operations attributable to the Shareholders increased from approximately RMB948.5 million in FY2018 to approximately RMB2,013.9 million in FY2019, representing a significant increase of approximately RMB1,065.4 million or 112.3%. It was mainly resulted from the increase in net loss recorded for other gains and losses. The net loss recorded for other gains and losses increased from approximately RMB173.3 million in FY2018 to approximately RMB1,302.3 million in FY2019, representing a significant increase of approximately RMB1,129.0 million or 651.5% resulted from: (i) an impairment loss recognised on assets classified as held for sale of approximately RMB851.4 million in FY2019 while there was no impairment loss recognised in FY2018; and (ii) an impairment loss on solar power plant amounted to approximately RMB282.8 million in FY2019 while there was no impairment loss recognised in FY2018.

Financial position of the Group

Set out below is a summary of the consolidated financial position of the Group, as extracted and summarised from the 2019 Annual Report and the 2020 Annual Report:

Table 2: Financial position of the Group

	As at 31 December		
	2018	**2019**	**2020**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(audited)
Non-current assets	16,234,719	8,113,522	5,853,226
— Solar power plant	11,558,554	6,782,957	4,650,831
Current assets	9,169,027	4,122,591	3,855,244
— Restricted bank deposits	2,039,632	67,856	27,948
— Bank balances and cash	754,586	89,703	226,746
Non-current liabilities	5,004,997	2,710,536	2,731,115
— Bank and other borrowings	3,919,264	2,229,301	2,220,106
Current liabilities	16,751,527	10,407,510	6,894,304
— Bank and other borrowings	7,148,081	5,097,942	3,219,869
Equity attributable to owners of the Company	2,262,797	(869,100)	(1,474,385)

Source: 2019 Annual Report and 2020 Annual Report

For non-current assets, solar power plants has been accounted for most of the Group's non-current assets amounted to approximately RMB11,558.6 million, RMB6,783.0 million and RMB4,650.8 million as at 31 December 2018, 2019 and 2020 respectively. As at the Latest Practicable Date, the Post Disposal Remaining Group operated 38 solar power plants in the PRC situated in 9 different provinces or autonomous regions. For current assets, the majority were: (i) amounts due from the related parties; (ii) trade and other receivables; (iii) bank balances and cash; and (iv) restricted bank deposits. It is noted that the amount of amounts due from the related parties was mainly the consideration receivables arising from several disposals. It is further noted that gross amount of the bank balances and cash and restricted bank deposits decreased significantly in recent years which decreased from RMB2,794.2 million as at 31 December 2018 to approximately RMB157.6 million as at 31 December 2019 and slightly increased to approximately RMB254.7 million as at 31 December 2020.

For non-current liabilities, it mainly consisted of the bank and other borrowings amounted to approximately RMB3,919.3 million, RMB2,229.3 million and RMB2,220.1 million as at 31 December 2018, 2019 and 2020 respectively. For current liabilities, it mainly consisted of: (i) bank and other borrowings; (ii) trade and other payables; and (iii) amounts due to the related parties. It is noted that most of the bank and other borrowings were secured and payable within 2021.

It is noted that the Group has been in a net current liabilities position in recent years. Further, it has also been in a negative net cash position in recent years. As set out in the 2019 Annual Report, the total amount of bank balances and cash and restricted bank deposits amounted to only approximately RMB157.6 million as at 31 December 2019 while bank and other borrowings classified as current liabilities amounted to more than RMB5.0 billion. There was a significant amount of shortfall as at 31 December 2019. As the Group: (i) incurred a net loss in FY2019; (ii) had a deficit for equity attributable to owners of the Company as at 31 December 2019; and (iii) was in a net current liabilities position as at 31 December 2019, the auditors of the Company issued a disclaimer of opinion on the consolidated financial statements of the Group for FY2019 on material uncertainties over the Group's ability to continue as a going concern. The situation slightly improved as at 31 December 2020. The total amount of bank balances and cash and restricted bank deposits amounted to only approximately RMB254.7 million as at 31 December 2020 while bank and other borrowings classified as current liabilities amounted to more than RMB3.0 billion, representing a significant shortfall of approximately RMB3.0 billion. In view of the above, there is an immediate need for the Group to obtain cash.

2. Information on the Vendor

The Vendor is a company incorporated under the laws of Cayman Islands with limited liability and an indirect non wholly-owned subsidiary of the Company. The Vendor is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries.

Details of the shareholders of the Vendor and their respective ultimate beneficial owners are set out under section headed "Information on the Vendor" in the Circular.

Apart from the Disposal Group, the Vendor directly and indirectly holds the entire equity interest of Lattice Power Inc., Lattice Power (Hong Kong) Limited and Lattice (Changzhou) Co., Ltd* (晶能光電(常州)有限公司), which are the holding companies of the LED Business.

3. Information on the Disposal Group

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company, which operates the manufacturing and sale of LED products businesses of the Group.

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

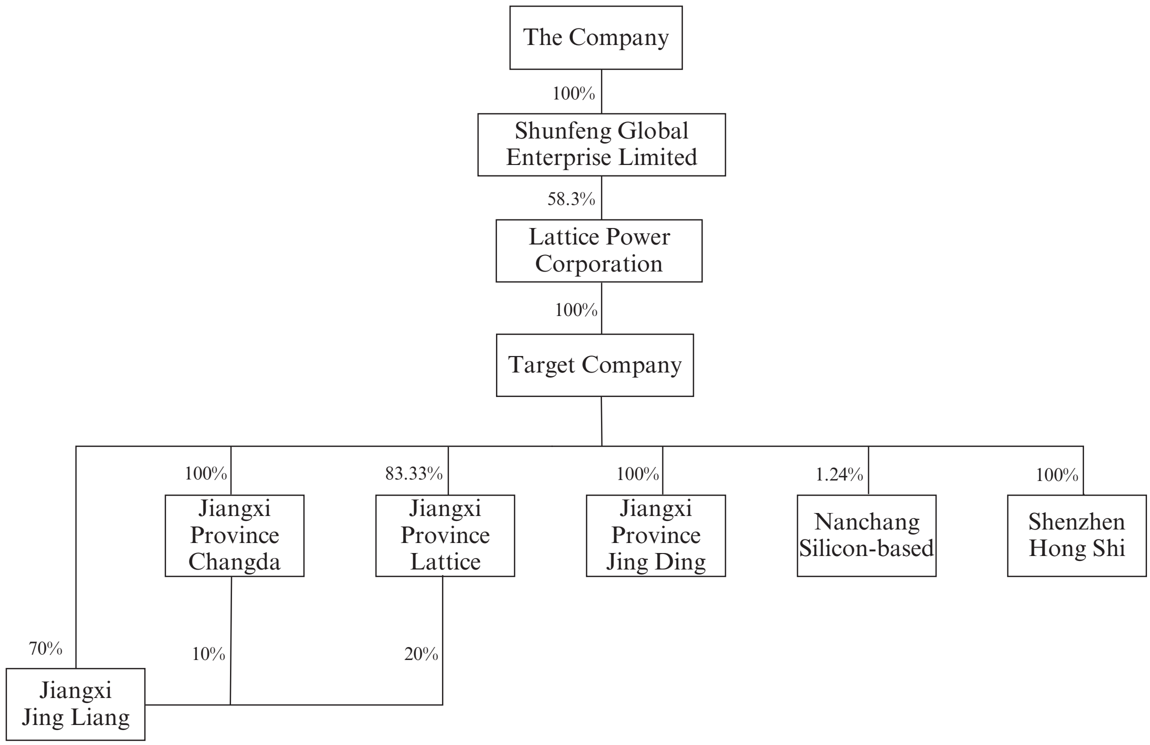
No.	Name	Principal business	Principal place of business	Equity interest held by the Target Company
1.	Target Company	Manufacturing and sale of LED products	PRC	Not applicable
2.	Jiangxi Jing Liang Photovoltaic Technology Coordinative Innovation Co., Ltd* (江西晶亮光電科技協同創新有限公司) ("**Jiangxi Jing Liang**")	Manufacturing and sale of CSP LED products	PRC	70%

No.	Name	Principal business	Principal place of business	Equity interest held by the Target Company
3.	Jiangxi Province Changda Photovoltaic Technology Co., Ltd* (江西省昌大光電科技有限公司) ("**Jiangxi Province Changda**")	Manufacturing and sale of LED module products	PRC	100%
4.	Jiangxi Province Lattice Semiconductor Co., Ltd* (江西省晶能半導體有限公司) ("**Jiangxi Province Lattice**")	Manufacturing and sale of LED Ceramic Packaging products	PRC	83.33%
5.	Jiangxi Province Jing Ding International Trade Co., Ltd (江西省晶鼎國際貿易有限公司) ("**Jiangxi Province Jing Ding**")	Investment Holding	PRC	100%
6.	Nanchang Silicon-based Semiconductor Technology Co., Ltd* (南昌硅基半導體科技有限公司) ("**Nanchang Silicon-based**")	Manufacturing and sale of LED products	PRC	1.24% *(Note 1)*
7.	Shenzhen Hong Shi Photovoltaic Co., Ltd* (深圳紅石光電有限公司) ("**Shenzhen Hong Shi**")	Manufacturing and sale of LED Lighting products	PRC	100%

Note 1: Nanchang Silicon-based is not a principal joint venture of the Target Company, and the Target Company's 1.24% interest in Nanchang Silicon-based was classified as financial assets at fair value through profit or loss with fair value of RMB2.2 million in the consolidated financial statements of the Group for the year ended 31 December 2020.

Ownership structure of the Disposal Group

The ownership structure of the Disposal Group is set out below:



Financial information on the Disposal Group

Based on the unaudited combined financial statement of the Disposal Group prepared by the Management, the financial information of the Disposal Group for FY2018, FY2019 and FY2020 is as follows:

	FY**2018** *(RMB'000)* (unaudited)	**FY2019** *(RMB'000)* (unaudited)	**FY2020** *(RMB'000)* (unaudited)
Net profit before taxation	61,016	53,175	129,253
Net profit after taxation	60,529	48,458	126,398

The unaudited net asset value and the unaudited total asset value of the Disposal Group as at 31 December 2020 was approximately RMB565 million and RMB761 million, respectively. The Consideration represents an excess of the unaudited net asset value of the Disposal Group as at 31 December 2020 by RMB105 million.

As at the Latest Practicable Date, 58.3% of equity interest in the Target Company is held by the Vendor. Upon the Completion, the Company will not hold any interest in the Disposal Group and each entity of the Disposal Group will cease to be a subsidiary of the Company and the financial positions and results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

4. Information on the Purchaser

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, the Purchaser is held as to 61.54% by Mr. Wang Min, a director of the Vendor which is an indirect non wholly-owned subsidiary of the Company and the ultimate beneficial owner of the Purchaser, 23.08% by Nanchang Guanggu Photovoltaic Industrial Fund Partnership (Limited Partnership)* (南昌光穀光電產業基金合夥企業(有限合夥)) whose general partner is Gongqingcheng Kangheda Investment Partnership (Limited Partnership)* (共青城康和達投資合夥企業(有限合夥)) and whose general partner in turn is Nanchang Houde Capital Management Co., Ltd* (南昌厚德資本管理有限公司), and 15.38% by Jiangxi Wenxin Industrial Co., Ltd* (江西文信實業有限公司) whose equity interest is 90% held by Mr. Wang Gang and 10% by Shenzhen Chepu Industrial Holding Co., Ltd* (深圳車僕實業控股有限公司). The Purchaser is therefore an associate of Mr. Wang Min and a connected person of the Company.

The sellers in the 2015 acquisition (details of which is set out under paragraph headed "2015 Acquisition" under section headed "Reasons for and benefits of the Disposal" in the Circular) included the shareholder sellers and the ESOP sellers. Mr. Wang Min was one of the ESOP sellers and was entitled to 8,262,048 new Shares allotted by the Company at the issue price of HK$5.20 per Share. The total value of Shares received by Mr. Wang Min in the 2015 acquisition was HK$42.9 million as at the time of the 2015 Acquisition. As the aggregate Consideration of the Disposal is RMB670 million and the Purchaser is held as to 61.54% by Mr. Wang Min, the portion of aggregate Consideration attributable to Mr. Wang Min is RMB412.3 million (equivalent to HK$489.9 million).

5. Information on the Post Disposal Remaining Group

Upon the Completion, the Post Disposal Remaining Group will continue to operate the PRC Power Generation Business.

The PRC Power Generation Business comprises the operation of solar power plants in the PRC. Construction of the Post Disposal Remaining Group's first solar power plant in the PRC commenced in 2011. As at the Latest Practicable Date, the Post Disposal Remaining Group operated 38 solar power plants in the PRC situated in 9 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 Disposal Remaining Group, as at 31 December 2020, the Post Disposal Remaining Group's on-grid solar power plants in the PRC account for approximately 0.32% 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 Disposal Remaining Group as at the Latest Practicable Date.

Location	**Capacity** *(Megawatt, "MW")*	**Status**
Xinjiang	408	Grid-connected
Hebei	163	Grid-connected
Yunnan	50	Grid-connected
Zhejiang	32	Grid-connected
Qinghai	30	Grid-connected
Jiangsu	29	Grid-connected
Shandong	26	Grid-connected
Hunan	15	Grid-connected
Tibet	10	Grid-connected

The solar power plants of the Post 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 763MW.

Set out below are the total assets value, revenue and net loss attributable to the Post Disposal Remaining Group for FY2018, FY2019 and FY2020:

	FY2018	**FY2019**	**FY2020**
Total assets *(RMB'000)*	7,661,158	7,146,589	7,222,373
Revenue *(RMB'000)*	628,805	639,013	649,967
Net profit/(loss) attributable to the Post Disposal Remaining Group *(RMB'000)*	(226,007)	(526,003)	(180,926)

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 the Disposal — Delay in receiving tariff subsidy and receivables from State Grid", the tariff subsidies receivables are currently outstanding in arrears for three 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 articles published by the Ministry of Finance, 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 three years, and the Board expects that the payment of the tariff subsidies will remain in arrears for a period of three years based on the actual distribution from the renewable energy development fund in 2020. 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 March 2018. As the Ministry of Finance 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 has generally distributed tariff subsidies in arrears three 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 during the period from April to December in the financial year 2018 during the course of 2021. As such, the total amount of tariff subsidies being in arrears is expected to remain constant and the amount will not increase further in 2021. 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 2021, 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 the Completion, 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 2021 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.

Information on customers

For FY2018, FY2019 and FY2020, the total number of customers in respect of the Group's PRC Power Generation Business was 40, 39 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 763 MW of installed capacity with the relevant branches of the State Grid.

Information on suppliers

For FY2018, FY2019 and FY2020, the total number of suppliers in relation to the PRC Power Generation Business was 12, 12 and 18, respectively. Further, for FY2018, FY2019 and FY2020, the total supplier purchase amount of the PRC Power Generation Business was RMB130.4 million, RMB9.3 million and RMB4.3 million, respectively. As construction of the power plants gradually completed, the Company's purchase amount decreased year by year since 2018.

Scale of operation of the Post Disposal Remaining Group

As set out above, the revenue generated from the Post Disposal Remaining Group for FY2018, FY2019 and FY2020 was approximately RMB628.81 million, RMB639.01 million and RMB649.97 million, respectively. The solar power plants of the Post 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 763 MW. The Post Disposal Remaining Group employs approximately 100 staff.

6. Reasons for and benefits of the Disposal

Working capital needs and reducing debt level

As set out in the Letter from the Board, the Company has recorded a negative net cash position of RMB12,889.3 million as at 31 December 2018, RMB8,563.7 million as at 31 December 2019, and RMB6,360.8 million as at 31 December 2020. In particular, the Group's negative net cash position of RMB6,360.8 million as at 31 December 2020 included cash and cash equivalents of RMB226.7 million, bank and other borrowings of RMB5,440.0 million, convertible bonds of RMB529.1 million and bonds payable of RMB618.4 million.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Company has the following major debts due on or before 31 December 2021:

No.	Creditor	Principal Amount HK$'000	Principal Amount RMB'000	Due date	Negotiation status	Expected source of fund
1	Sino Alliance Capital Ltd. ("**Sino Alliance**")	351,000	—	31 December 2019 and seeking further extension date	The Company has been negotiating with the creditor to seek the further extension of amount of HK$351 million to 31 December 2021 since early September 2020.	The 2019 Disposal, the 2020 Disposal, the Disposal and Possible Disposals of Further Solar Power Plants
		800,000	—	31 December 2020 and seeking further extension date	The Company has been negotiating with the creditor to seek the further extension of amount of HK$800 million since early September 2020.	The Disposal and Possible Disposals of Further Solar Power Plants and potential extension
2	China Minsheng Banking Corp., Ltd Hong Kong Branch	300,000	—	31 December 2021	N/A	The 2019 Disposal, the 2020 Disposal and the Disposal
3	Chongqing International Trust Co., Ltd* (重慶國際信託股份有限公司)	—	666,000	30 September 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of RMB666 million to 31 December 2021. The Company expects to enter into a potential extension agreement with the creditor in July 2021.	Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
4	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")	—	356,900	31 March 2020 and seeking further extension date	The Company is currently in negotiation with the bondholders to seek the further extension of amount of RMB356.9 million.	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
5	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")	—	255,463	25 October 2021	N/A	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants and to seek further extension date if needed
6	True Bold Global Limited	171,696	—	27 November 2019 and seeking further extension date	The Company is currently in negotiation with the creditor to seek the further extension of amount of HK$172 million.	The 2019 Disposal, the 2020 Disposal and Possible Disposals of Further Solar Power Plants
7	Rainbow Fort Investments Limited	175,000	—	30 November 2021	N/A	Possible Disposals of Further Solar Power Plants
	Total	**1,797,696**	**1,278,363**			

As at the Latest Practicable Date, the Company has not received any demand of immediate repayment from the creditors of the Company.

The Company is in the process of seeking additional capital for the repayment of the above debts that are due on or before 31 December 2021. In the alternative, the Company will seek to negotiate with the relevant creditors to seek refinancing and/or extension of due dates of the relevant debts, if necessary. As disclosed in the section headed "Principal terms of the Sale and Purchase Agreement", the Consideration is RMB670 million and the Company is entitled to approximately RMB390.6 million. As such, the Company expects that the proceeds from the Disposal will help, among other things, the improvement of the Company's balance sheet position by reducing its debt level.

In order to settle the major debts falling due on or before 31 December 2021, the Company intends to (i) settle part of the debts with a substantial part of the Consideration amounting to approximately RMB340.6 million; (ii) engage in further negotiations with the major creditors of the Company including Sino Alliance, the holders of the 2015 Corporate Bond and the holders of the 2016 Corporate Bond 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 2021. 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, the Company has not entered into any other arrangements or agreements or understanding, whether formal or informal, with any potential purchasers.

Reference is made to the 2020 Annual Report. As set out in note 1(b) to the consolidated financial statements in the 2020 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 FY2020 on multiple 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 2019 Disposal, the 2020 Disposal and the Disposal, 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 three years. As at the Latest Practicable Date, the Company has collected the subsidies for and until around March 2018, with an amount of RMB3,040 million in aggregate; in other words, subsidies for the solar power plants of the Group eligible for renewable energy tariff has been in arrears for three years. As at 31 December 2020, the Company has a subsidy receivable of approximately RMB1,771 million and receivables on accrued revenue on tariff subsidies from the State Grid of approximately RMB1,709 million from the Group consolidated 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. The speed of payment of tariff subsidies by the State Grid had been further reduced in 2020, which had created more pressure on the operating cash flow of the Group. The Company believes that it is probable to receive the tariff subsidies, as this is supported by the Renewable Energy Law and the regulations of the National Development and Reform Commission. In addition, the National Development and Reform Commission, the Ministry of Finance, the People's Bank of China, the China Banking and Insurance Regulatory Commission and the National Energy Administration jointly issued the Notice on Encouraging the Intensified Financial Support to Promote the Sound and Orderly Development of Wind Power and Photovoltaic Power Industries (the "**Notice**") in February 2021. The Notice encouraged financial institutions to provide further financial support to the enterprises in the renewable energy industry (including the photovoltaic industry). There is no condition required to be met by the Company before receiving the tariff subsidies.

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 pressure to the deteriorating cash flow condition of the Group. The difficulties faced by the Group are not only specific to the Group 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 of subscription shares as disclosed in the commencements of the Company dated 9 January 2019, 30 January 2019, 28 February 2019, 29 March 2019 and 31 March 2019 and given the above financing needs, despite the 2018 Disposal, the 2019 Disposal and the 2020 Disposal having been completed, 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. The Disposal will generate an immediate cash inflow of approximately RMB390.6 million to the Company, which would help the Company repay its debts that are due or will become due in approximately six months from the date of the Circular according to the use of proceeds in the section headed “Use of Proceeds” in the Circular.

The Board has considered and compared the Disposal and the disposal of other assets of the Group (i.e. the remaining solar power plants) carefully. The Board believed that the following reasons for the Disposal outweigh the benefits of keeping the Disposal Group in the Group (similar to the benefits of the 2015 Acquisition), or the benefits of disposing the remaining solar power plants of the Group:

(a) the PRC Government’s positive policy direction in relation to the future development of the renewable energy industry (including the photovoltaic industry);

(b) the renewed strategy of the Group to lower its exposure to the LED products industry and focus more on the PRC Power Generation Business. As compared to the LED Business’s prospect, the Management also believes that the PRC’s carbon neutrality and carbon peak targets will bring more opportunities to the PRC Power Generation Business which is the core competence of the Group;

(c) the lower synergy benefit from the 2015 Acquisition in the whole Group. After more than 5 years' operation, the Management realised that the reduction of average cost and increase in revenue at the Group level and the cross-selling effect brought by the Target Group have been lower than expected, because it has been more difficult than the Management contemplated to integrate the PRC Power Generation Business and the LED Business with different business models and target customers;

(d) the continued and high research and development cost of the LED products industry;

(e) the high level of debt and financing cost of the Group; and

(f) the payment of the Consideration by cash or assignment of debt of the Group to the Purchaser will immediately reduce the level of debt of the Group.

The Vendor has made significant efforts in searching for potential purchasers of the Disposal Group. However, considering the relatively small size of the Disposal Group compared with other companies and the increasingly intense competition in the LED industry, the Vendor could only identify a limited number of potential purchasers.

As Mr. Wang Min has been very familiar with the LED industry and the 6-inch and 8-inch GaN-on-Silicon LED technology, and has a dedicated plan for the future development of the Disposal Group, the Purchaser is willing to acquire the Target Interest with more favourable terms compared with other potential purchasers.

Our view

The need to reduce debt level of the Group

The debt level of the Group has been increasing in recent years. As noted in the 2020 Annual Report, the gearing ratio of the Group was almost doubled in FY2020 when compared with that in FY2015. The table below showed the details of the historical gearing ratio of Group for each financial year since FY2015:

Table 3: Historical gearing ratios

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Gearing ratio	56.4%	69.6%	70.6%	77.9%	93.6%	98.7%

Source: Annual reports of the Company

The gearing ratio is a measure of financial leverage which analyses the degree to which a company's operations are funded by debt financing against equity capital. The higher the gearing ratio, the heavier a company's operations are funded by debt financing. As shown in the above table, the gearing of the Group was almost 100% in FY2020. As the operations of the Group is heavily funded by debt financing, the Group is at a great financial risk. As there are interest expenses for obtaining debt financing, the more reliance on debt financing, the more the interest expenses which will adversely affect the financial performance of the Group. Further, when the operating environment of the Group gets worse or when the interest rates increase, the Group would be more susceptible to loan default and bankruptcy. As such, we consider that there is a need for the Group to reduce its debt level.

The need to increase cash flow of the Group

The Group has been in a negative net cash position in recent years. The table below showed the details of the historical amounts of bank balances and cash and bank and other borrowings classified under current liabilities for each financial year since FY2015:

Table 4: Historical amounts of bank balances and cash and bank and other borrowings classified under current liabilities

RMB'million	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Bank balances and cash	1,854.4	912.6	663.7	754.6	89.7	226.7
Bank and other borrowings	2,473.2	3,010.4	5,964.6	7,148.1	5,097.9	3,219.9

Source: Annual reports of the Company

As shown in the above table, the amount of bank balances and cash was less than the outstanding amount of bank and other borrowings classified under current liabilities. As bank and other borrowings classified under current liabilities were the Company's short-term financial obligations that were due within one year for each of the corresponding financial year, the borrowings repayment ability of the Group has been in doubt for several years.

Further, we also noted that the amount of cash flow generated from the operating activities was less than the amount of cash flow used for repayment of borrowings and interest. The table below showed the details of the historical amounts of cash flow generated from the operating activities and used for repayment of borrowings and interest for each financial year since FY2015:

Table 5: Historical amounts of cash flow of the Group

RMB'million	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Cash flow generated from the operating activities	1,637.9	1,230.7	1,409.5	2,734.3	1,759.8	–12.9
Cash flow used for repayment of borrowings	2,680.1	4,495.0	2,970.2	1,417.7	1,192.3	769.0
Cash flow used for repayment of interest	580.0	793.4	947.4	731.7	778.7	369.7

Source: Annual reports of the Company

As shown in the above table, the amount of cash flow generated from the operating activities was less than the amount of cash flow used for repayment of borrowings and interest for most of the previous financial years except FY2018. Although the Group generated cash flow by obtaining new debt financing, it will further enlarge the burden for the Group to repay both the principal and interest of the new debt. As such, it is likely that the Group will, repeatedly, experience the situation of generating insufficient cash flow for operation and borrowings repayment. Therefore, we consider that there is a need for the Group to increase the cash flow.

Based on the above, we concur that the offer of the Purchaser is a viable option and is in the interest of the Company and the Shareholders as a whole.

7. Use of proceeds

As set in the Letter from the Board, the Company intends to use the net proceeds from the Disposal (after deducting relevant costs and expenses) as follows:

(a) RMB50.0 million of the Consideration will be used as working capital of the Group; and

(b) RMB340.6 million will be used to repay the debts.

8. Industry prospects

In 2020, the outbreak of COVID-19 has brought unprecedented challenges to the global economy. The lockdown measures adopted by different countries have slowed down the economic and business activities across countries. According to The Guardian, China, among other countries, becomes the first major economy to recover from COVID-19 pandemic. Based on the information extracted from the website of 國家統計局 (National Bureau of Statistics of the PRC*) (http://data.stats.gov.cn), the year-on-year ("**YoY**") growth in gross domestic product ("**GDP**") for the PRC in 2020 was approximately 2.3% (2019: 6.0%).

According to an article "Competing in the Global LED Industry: The Case of Taiwan" published by Hindawi Publishing Corporation, an international journal of photoenergy, in June 2014, LED was an essential application for energy-savings as energy-savings are getting more and more important in the decade recent decade especially when global warming was getting more and more serious and energy reduction became a trend. In 2010, Asia accounted for approximately 81.3% of the global market share. Under the rapid development and industrial upgrading of LED technology, China has become the largest manufacturer of LED lighting products. The increasing domestic demand for LED lighting products stimulated the manufacturing and production of LED lighting products. According to the statistical analysis issued by 高工產研LED研究所 (Gao Gong Industrial Institution*), a leading industry research authority which focuses on the market research of PRC LED industry economic and market development, which made reference to the statistics published by國家半導體照明工程研發及產業聯盟 (China Soled State Lighting Alliance*) and 中商產業研究大數據庫 (Chinese Business Industrial Research Database*), China's LED lighting market output value grew from approximately RMB259.6 billion in 2015 to approximately RMB470.0 billion in 2019, with a compound annual growth rate ("**CAGR**") of approximately 16.0%, and the annual growth rate has been decreasing in recent years after it reached the peak of approximately 20.85% in 2017. As the growth of China's LED lighting market is higher than that of the global LED lighting market, it is expected that China's LED lighting market will maintain a CAGR of over 12% until 2021. As such, it is estimated that by the year of 2021, the output value of China's LED lighting market will reach approximately RMB590 billion.

Table 6: China's LED lighting market statistics summary

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Estimate)	FY2021 (Estimate)
Market Output Value *(RMB' billion)*	259.6	301.7	364.6	415.5	470.0	530.0 *(Note 1)*	590.0 *(Note 1)*
Annual Growth Rate *(%)*	13.95	16.22	20.85	13.96	13.12	12.77	11.32

Source: 國家半導體照明工程研發及產業聯盟 (China Soled State Lighting Alliance, "**CSA**") and 中商產業研究大數據庫 (Chinese Business Industrial Research Database*)*

Note 1: The figures of market output value for FY2020 and FY2021 were estimated on the basis of maintaining a CAGR of 12% or above.

Although the market development of China's LED lighting maintained the rising trend throughout the recent years, the annual growth rate for LED lighting industry slowed down from approximately 16.22% in 2016 to approximately 13.12% in 2019 according to the market database statics issued by CSA. It is expected that the annual growth rate in 2021 will further decrease to approximately 11.32%, representing only approximately half of the peak of approximately 20.85% in 2017. As there were more and more enterprises entered into the industry of the manufacturing and production of the LED light products due to the high profitability. As there were more industry participants, the entire industry became increasingly saturated and resulted in intensive competition and industrial transformation. As such, it is believed that there will be more challenges ahead for the industry.

9. Principal terms of the Sale and Purchase Agreement

As disclosed in the Letter from the Board, the principal terms of the Sale and Purchase Agreement are as follows:

Principal terms

Date:	31 December 2020
Parties:	(1) Lattice Power Corporation (晶能光電有限公司*) (an indirect non wholly-owned subsidiary of the Company, as the Vendor) (2) Nanchang Guanggu Group Limited* (南昌光穀集團有限公司) (as the Purchaser)
Asset to be disposed of:	the Target Interest, representing 100% of the equity interest in the Target Company, together with all the rights, benefits and liabilities of a shareholder corresponding to such equity interest, including all the direct and indirect rights, benefits, obligations and liabilities of the Target Company as a shareholder of its subsidiaries as listed in the Sale and Purchase Agreement
Consideration and payment:	The aggregate Consideration is RMB670 million. Details are set out as follows: (i) RMB20 million will be paid by the Purchaser as the deposit to the Jointly Managed Account within 15 Business Days of the signing of the Sale and Purchase Agreement (the "**First Payment**"). As at the Latest Practicable Date, the Vendor has received the First Payment of RMB20 million as the deposit from the Purchaser to the Jointly Managed Account on 21 January 2021.

(ii) RMB325 million will be paid by cash by the Purchaser to the Jointly Managed Account within 15 Business Days after having received all the relevant approvals including but not limited to the Vendor's shareholder and the Stock Exchange (if required) and all Conditions having been satisfied (the "**Second Payment**").

(iii) Within 10 Business Days after the Completion, the First Payment and the Second Payment will be transferred from the Jointly Managed Account to the account of the Vendor. RMB325 million will be paid by cash by the Purchaser to the account of the Vendor within 30 Business Days after the Completion (the "**Third Payment**").

The Purchaser may pay the Consideration by assuming the debts of the Vendor or the Vendor's controlling shareholder but the Vendor shall complete the transfer of the Target Interest only after the assignment of debt is completed by the Purchaser and the third party debtor. As the Company indirectly holds 58.3% of equity interests in the Vendor, the Company will be entitled to approximately RMB390.6 million from the Consideration. As at the Latest Practicable Date, the Vendor has not received the Second Payment and the Third Payment (RMB650 million in total). The Purchaser currently plans to pay the Second Payment and the Third Payment in cash.

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

(i) the preliminary valuation of the implied equity value of the Target Company as at 30 June 2020 of RMB664,463,000 (the "**Implied Equity Value**") as stated in the valuation report of the Target Company conducted by an independent valuer appointed by the Company, AVISTA Valuation Advisory Limited, adopting the market approach;

(ii) the unaudited financial information of the Disposal Group including but not limited to the net asset value of the Disposal Group as at 30 June 2020 of RMB490.1 million; and

(iii) having considered the Implied Equity Value as the initial referencing basis of the Consideration for negotiations with the Purchaser and upon rounds of arms' length commercial negotiations between the Vendor and the Purchaser, an additional amount of approximately RMB5.54 million over the Implied Equity Value as agreed between the parties.

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

(i) the Company having obtained the consent and approval of the Stock Exchange for the Disposal (if required);

(ii) the Independent Shareholders having approved the Disposal in accordance with the Listing Rules;

(iii) the Vendor having obtained all other necessary consents and approvals for the purpose of executing, delivering and performing the Sale and Purchase Agreement, the relevant documents and transactions contemplated thereunder, including the approval of the shareholders' meeting and the approval of the Stock Exchange (if required);

(iv) the Purchaser having obtained all other necessary consents and approvals for the purpose of executing, delivering and performing the Sale and Purchase Agreement, the relevant documents and transactions contemplated thereunder;

(v) there having been no material adverse change to the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of any companies in the Disposal Group since date of the Sale and Purchase Agreement;

(vi) the Vendor and the Disposal Group having fully cooperated with the Purchaser and its appointed consultants and agents on their full and appropriate due diligence within 30 Business Days from the date of the Sale and Purchase Agreement in accordance with the reasonable request of the Purchaser, in respect of the assets, liabilities, operations and affairs of the Disposal Group, and the results of which being consistent in all material or substantive aspects with the information disclosed by the Vendor prior to the date of the Sale and Purchase Agreement and the information obtained by the Purchaser;

(vii) no court, arbitrator, government agency, statutory or regulatory body having ever issued or instituted any restrictions, prohibitions or illegalised any transactions under the Sale and Purchase Agreement, or any notices, orders, judgments, actions or legal proceedings that may reasonably have a material adverse effect on the Purchaser's rights, without any encumbrance, as a legal and beneficial owner of the Target Interest upon Completion;

(viii) the representations and warranties made by the Vendor under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties; and

(ix) the representations and warranties made by the Purchaser under the Sale and Purchase Agreement having remained in force and there having been no breach of agreement in the course of performance of the Sale and Purchase Agreement, or other circumstances which are contrary to its representations and warranties.

The Vendor and the Purchaser shall use their respective best endeavours to procure the fulfilment of all the Conditions. The Purchaser shall use its best endeavours to procure the fulfilment of Conditions (vi) and (ix).

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

Each Party has the right to waive the Condition that is required to be fulfilled by the other Party by written advance notice. As at the Latest Practicable Date, none of the Conditions above have been fulfilled. On 17 June 2021, the Parties signed an extension agreement to extend the Long Stop Date from 30 June 2021 to 30 September 2021.

Completion: Completion shall take place within 30 Business Days after the Conditions have been fulfilled and the First Payment and the Second Payment having been made, and shall be no later than the Long Stop Date. The Vendor and the Purchaser shall proactively cooperate with the Target Company to submit to the relevant local government authorities all relevant materials required for the approvals, consents and filings required for the Completion. In order to facilitate the Completion, the Parties shall endeavour to ensure the approval, filing and completion procedures of all relevant authorities (including but not limited to industry and commerce, foreign exchange, commerce and development and reform commission) required for the Completion be completed on or before the Long Stop Date and the Target Interests be transferred to the Purchaser. The Parties may negotiate on whether the Long Stop Date should be postponed.

Upon full payment of the First Payment and the Second Payment by the Purchaser, the Vendor shall check all the assets of the Disposal Group and handover them to the Purchaser.

The Vendor shall cooperate with the Purchaser to complete the procedure of the change of legal representative, director, supervisor and senior management after Completion if requested.

10. Evaluation of the Consideration

(a) Comparable Companies analysis

We understand that the Target Company is principally engaged in the manufacturing and sale of LED products businesses of the Group. In this regard, we have, on a best effort basis, identified a list of comparable companies (the "**Comparable Companies**") based on the information extracted from Bloomberg terminal with the following selection criteria:

(i) listed on the Stock Exchange;

(ii) principally engaged in the sales or manufacturing of lighting products or LED products; and

(iii) with more than 85% of the latest reported annual segment revenue was generated from the manufacturing and sales of LED products.

We adopted the above selection criteria as we noted that the Target Company mainly generated its revenue from the manufacturing and sale of LED products. Based on the above selection criteria and based on our best effort, six Comparable Companies are identified. Regarding the selection of the valuation multiple, we have given regard to the following commonly adopted valuation multiples including price-to-earnings ("**P/E Multiple**"), price-to-book ("**P/B Multiple**") and price-to-sales ("**P/S Multiple**"). The P/E Multiple is considered not appropriate as it is noted that the total amount of depreciation and amortisation expenses accounted for a significant portion of the total operating expenses of the Target Company for FY2020. As such, the P/E Multiple may not reflect the operation performance and financial performance of the Target Company in an effective manner. Although the P/B Multiple cannot captures the intangible competencies and advantages from a company which creates additional market value, it is considered appropriate as it expresses how much investors are willing to pay for a company's total net assets which may serve as a reference for companies that are asset-heavy in nature. The P/S solely focuses on the sales amounts but do reflect the profit margin and the results will be easily distorted if the cost structure is not being taken into consideration. Therefore, P/S Multiple is considered not appropriate.

As the aforementioned valuation multiples are based on the market capitalisation of the subject entity, we have also considered other commonly adopted valuation multiples based on the enterprise value of the subject entity. The enterprise value/sales ("**EV/S Multiple**"), enterprise value/earnings before interests and taxes ("**EV/EBIT Multiple**") and enterprise value/earnings before interests, taxes, depreciation and amortisation multiple ("**EV/EBITDA Multiple**"). Similar to the consideration of P/S Multiple, the EV/S Multiple is considered not appropriate as it solely focuses on the sales amounts but do not reflect the profit margin and the results will be easily distorted if the cost structure is not being taken into consideration. The EV/EBIT Multiple removes tax effect on earnings but does not remove non-cash items in earnings such as depreciation and amortisation of fixed assets. Thus EV/EBIT

Multiple is considered not appropriate. After consideration, we selected the EV/EBITDA Multiple because the EV/EBITDA Multiple effectively measures the performance of the subject entity's core operation by removing the impact of cost of capital, tax effect on earning, depreciation and amortisation which eliminates the difference in capital structure among companies.

Based on the above, we consider EV/EBITDA Multiple and P/B Multiple to be appropriate valuation multiples to be adopted in our analysis. Set out below are the Comparable Companies together with the relevant EV/EBITDA Multiples and P/B Multiples and the information of which we consider, to the best of our knowledge and ability, to be an exhaustive, fair and representative population for the purpose of arriving at a meaningful analysis of the Consideration.

Table 7: List of Comparable Companies

Name	Stock code	Principal business activities	EV (HK$'000)	EBITDA (HK$'000)	EV/EBITDA (x) (Note 1)	P/B (x) (Note 2)
NVC International Holdings Limited	2222	The company is an investment holding company principally engaged in the manufacture and sales of lamps, luminaries, lighting electronic products and related products.	N/A (Note 3)	107,537 (Note 4)	N/A	0.19
E Lighting Group Holdings Limited	8222	The company is a Hong Kong-based investment holding company engaged in the sales of lighting products and household furniture. The company operates through two segments. Lighting and furniture products segment is engaged in the retailing of lighting products and household furniture in Hong Kong.	16,260	14,599	1.11	0.82
IMS Group Holdings Limited	8136	The company is a holding company principally engaged in sale of LED lighting fixtures. The company operates four segments includes sale of LED lighting fixtures, LED lighting system consultation and maintenance services, integrated LED lighting solution services and sales of visual-audio systems.	11,610	6,862	1.69	1.01
HongGuang Lighting Holdings Company Limited	6908	The company is a China-based investment holding company. The company, along with its subsidiaries, is principally engaged in the design, development, manufacture and distribution of LED beads and LED lighting products.	227,107	16,920 (Note 4)	13.42	1.08

Name	Stock code	Principal business activities	EV *(HK$'000)*	EBITDA *(HK$'000)*	EV/EBITDA *(x)* (Note 1)	P/B *(x)* (Note 2)
Neo-Neon Holdings Limited	1868	The company is an investment holding company principally engaged in the manufacture and distribution of LED decorative lighting products. The company operates its business through three segments: LED decorative lighting, the general illumination lighting and the distribution of lighting product accessories.	736,790	N/A (Note 5)	N/A (Note 5)	0.55
Bortex Global Limited	8118	The company is principally engaged in the manufacture and distribution of LED lighting products. The company's products include LED decorative lighting series and LED luminaire lighting series.	186,964	41,352	4.52	1.26
		Maximum	736,790	107,537	13.42	1.26
		Minimum	11,610	6,862	1.11	0.19
		Average	235,746	37,454	5.19	0.82
		Median	186,964	16,920	3.11	0.92
Target Company		Target Company is principally engaged in the manufacturing and sale of LED products.	**616,614** (Note 6)	**192,846** (Note 6)	**3.20** (Note 6)	**1.19** (Note 7)

Sources: Bloomberg terminal and the website of the Stock Exchange

Notes:

1. The EV/EBITDA of the Comparable Companies are calculated by dividing their respective enterprise value (the market capitalisation as at 31 December 2020, being the date of the announcement of the entering into the Sale and Purchase Agreement (the "**Announcement Date**")) by their respective earnings before interest, tax, depreciation and amortisation in the trailing 12-months ("**LTM**").

2. The P/B of the Comparable Companies are calculated by dividing their respective market capitalisation as at 31 December 2020 (being the date of the announcement of the entering into the Sale and Purchase Agreement (the "**Announcement Date**")) by their respective amount of equity attributable to shareholders on or before the Announcement Date.

3. Based on the latest published financial results and/or reports, the EV of the Comparable Company was negative as the amount of cash and cash equivalent exceeded the total amount of market capitalisation and debt of such Comparable Company. As such, it is not applicable to calculate the EV/EBITDA Multiple. In the case of an absence of debt, a negative EV implies that the market capitalisation of a company falls below its cash value.

4. The reporting currency is RMB as set out in latest published financial results and/or reports. The financial figures were converted into HK$ based on the exchange rate of RMB1: HK$1.1882 as at the Announcement Date as published by 國家外滙管理局 (State Administration of Foreign Exchange*).

5. The EBITDA of Neo-Neon Holdings Limited was negative in FY2020 based on the information extracted from the annual results announcement dated 25 March 2021.

6. The implied EV/EBITDA Multiple (the "**Implied EV/EBITDA Multiple**") of 3.2 time is calculated by dividing its enterprise value amounted to approximately RMB518.9 million (equivalent to approximately HK$616.6 million based on the exchange rate as mentioned in note 3 above) (being the Consideration minus borrowings and leases and add back cash and cash equivalent and short term investments) by its earnings before interest, tax, depreciation and amortisation in LTM amounted to approximately RMB162.3 million (equivalent to approximately HK$192.8 million based on the exchange rate as mentioned in note 3 above).

7. The implied P/B Multiple (the "**Implied P/B Multiple**") of 1.19 time is calculated by dividing the Consideration of RMB670 million by the unaudited net asset value of the Disposal Group amounted to approximately RMB565.3 million as at 31 December 2020 as stated in the Letter from the Board.

As set out above, the EV/EBITDA Multiples of the Comparable Companies ranged from approximately 1.11 times to approximately 13.42 times with the average and median EV/EBITDA Multiples of approximately 5.19 times and 3.11 times respectively. The Implied EV/EBITDA Multiple of approximately 3.20 times is within the range and higher than the median EV/EBITDA Multiples of the Comparable Companies although it is below the average EV/EBITDA Multiples of the Comparable Companies.

As further set out above, the P/B Multiples of the Comparable Companies ranged from approximately 0.19 time to approximately 1.26 times with the average and median P/B Multiples of approximately 0.82 time and 0.92 time respectively. The Implied P/B Multiple of approximately 1.19 times is significantly higher than both the median and average P/B Multiples of the Comparable Companies and is very close to the ceiling of the range of P/B Multiples of the Comparable Companies.

Given the fact that: (i) the Implied EV/EBITDA Multiple of approximately 3.20 times is within the range of the EV/EBITDA Multiples of the Comparable Companies; (ii) the Implied EV/EBITDA Multiple is higher than the median EV/EBITDA Multiple of the Comparable Companies; (iii) the Implied P/B is significantly higher than both the median and average P/B Multiples of the Comparable Companies; (iv) the Implied P/B Multiple is very close to the ceiling of the range of P/B Multiples of the Comparable Companies, we consider that the Consideration to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(b) Valuation Report

Introduction

As set out in the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, taking into account, among other things, preliminary valuation of the Implied Equity Value as at 30 June 2020 as stated in the Valuation Report prepared by the Valuer with the adoption of the market approach. Further details of the Valuation are set out in the Valuation Report enclosed in Appendix III to the Circular. In performing the Valuation, the Valuer has complied with all the relevant requirements in accordance with the relevant valuation standards.

We have obtained and reviewed the Valuation Report and the relevant valuation workings provided by the Valuer and discussed with the relevant staff of the Valuer with particular attention to, among others, (i) the Valuer's terms of engagement with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation. After our review of the information provided by the Valuer and enquiry with the Valuer, we are satisfied that the terms of engagement between the Company and Valuer are appropriate to the opinion the Valuer is required to give. It is noted that the Valuer provided valuation services to the Vendor prior to the engagement of the Valuation. As the aforementioned valuation services were independent from the Disposal, the Valuer has confirmed that it is independent from the Company, the parties to the Disposal and their respective core connected persons, close associates and associates.

For the expertise of the Valuer, we understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation from our discussion with the Valuer. The person in-charge signing the Valuation Report has over 20 years experiences in financial valuation, M&A advisory, business consulting and corporate investment. In view of the above, we consider that the Valuer is qualified and possesses sufficient relevant experience in performing the Valuation. We also noted that the Valuer mainly carried out its due diligence through: (i) management interviews; (ii) its own proprietary research; and (iii) publicly available information through its own research as well as the financial information provided by the management of the Group. We are advised by the Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification.

Valuation methodology

From our review of the Valuation Report and as per our discussion with the Valuer, the Valuer has considered the three generally accepted approaches in performing the Valuation, namely the market approach, the income approach and the cost approach.

After considering the aforementioned three approaches, the Valuer considered that: (i) the cost approach is not appropriate for the Valuation as this approach assumed the assets and liabilities of the Target Company are separable and can be sold separately which is more appropriate for the industry with assets which are highly liquid such as property development and financial institution; (ii) the income approach is not appropriate as a lot of assumptions were involved in formulating the financial projection of the subject entity and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company especially under the impact from the outbreak of COVID-19; and (iii) the market approach is appropriate as the fair value arrived from the market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus and there are sufficient public companies with business nature similar to that of the Target Company to serve as good indicators of the industry of the Target Company.

We understand that there are comparable transactions and comparable companies method under the market approach. While the comparable transactions method refers to valuation by comparing the Target Company with reference to the recent acquisition transactions of comparable companies to arrive at the Implied Equity Value, comparable companies method refers to valuation by comparing Target Company with reference to comparable listed companies (the "**Valuation Comparable Companies**"). We understand from the Valuer that they did not adopt the comparable transactions method due to the lack of recent market transactions of companies being acquired with similar business nature as the Target Company. As such, the Valuer opted for the comparable companies method.

Having considered the above, we consider that the adoption of the market approach by the Valuer is appropriate and reasonable.

Sample selection

As set out in the Valuation Report, the Implied Equity Value was determined with reference to the comparable companies: (i) which are principally engaged in the manufacturing and sale of LED products; (ii) principal business activities of the companies are mainly conducted in the Asia area; (iii) companies are listed in major exchange markets; (iv) companies are profit-making in LTM as of the date of Valuation; and (v) the financial information of the companies is available to the public. We noted that the Valuer did not specify the portion of revenue derived from the manufacturing and sales of LED products as one of the sample selection criteria in the very beginning. After our enquiry and discussion with the Valuer, they accepted our suggestion to include an additional selection criteria of selecting companies with more than 50% of the revenue is derived from the manufacturing and sales of LED products.

Although the business scale of the Valuation Comparable Companies varied from the Target Company in terms of the revenue, business size and asset base, the Valuer advised and the Board agreed that the primary factor to consider in multiple analysis should be the similarity of industry, while the scale should be irrelevant. The range of the multiples should be a reasonable benchmark for price multiple of the companies in the industry. In addition, given that only a limited number of comparable companies engaged in the manufacturing and sale of LED products in Asia and were profit-making in the LTM period, it is common to consider a comprehensive set of comparable companies instead of stripping down the sample size to a minimal, which may adversely affect the accuracy of the valuation due to the lack of representativeness of the sample.

The list of the Valuation Comparable Companies is extracted as below while the details of the Valuation Comparable Companies can be referred to the Valuation Report.

Company Name	Stock Code	Listing Location	Revenue Contribution from Business Segment(s) (Note 1)
1) HongGuang Lighting Holdings Company Limited ("**HongGuang Lighting**")	SEHK: 6908	Hong Kong	LED Beads (96.6%); LED Lighting Products (2.6%); Subcontracting Service (0.8%)
2) Sanan Optoelectronics Co., Ltd. ("**Sanan Optoelectronics**")	SHSE: 600703	The PRC	Semiconductor Products (76.7%); Materials (21.7%); Service Income (1.7%)
3) Foshan NationStar Optoelectronics Co.,Ltd ("**Foshan NationStar**")	SZSE: 002449	The PRC	Electronic Component Manufacturing (85.5%); Export Trading (12.8%); Others (1.7%)
4) Focus Lightings Tech Co., Ltd. ("**Focus Lightings**")	SZSE: 300708	The PRC	LED Chip and Epitaxial Wafer (99.9%); Energy Management Contract (0.1%); Others (0.0%)
5) Opto Tech Corporation ("**Opto Tech**")	TSEC: 2340	Taiwan	Semiconductor Business Group (72.8%); System Business Group (21.8%); Packaging Business Group (5.2%); Other Department (0.2%)
6) Everlight Electronics Co., Ltd. ("**Everlight Electronics**")	TSEC: 2393	Taiwan	LED Sector (87.5%); Lighting Segment (9.0%); LCD Sector (3.2%); Other Department (0.3%)
7) Bright LED Electronics Corp. ("**Bright LED**")	TSEC: 3031	Taiwan	Manufacture and Sales of LED Components and Related Products (76.0%); Sales of LED Components and Related Products (63.9%); Grain Manufacturing and Sales Operations (20.7%); Manufacture and Sales of Circuit Board Products (5.3%); Adjustment and Elimination (–65.9%)

We consider that the selection criteria of the Valuation Comparable Companies are appropriate to identify a set of fair and representative comparables for the Valuation. As stated in the Letter from the Board, the list of the Valuation Comparable Companies is exhaustive. Further, it is noted that most of the Valuation Comparable Companies are different from the Comparable Companies as the Valuation Comparable Companies include companies which are listed in major exchange markets while the Comparable Companies include companies which are listed on the Stock Exchange. As stated in the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, taking into account, among other things, the Implied Equity Value. As noted from the Valuation Report, the Implied Equity Value was derived from the median EV/EBITDA Multiple obtained from the Valuation Comparable Companies. As stated in the above section headed "10. Evaluation of the Consideration", we have cross-checked the Consideration by comparing the Implied EV/EBITDA Multiple and the Implied P/B Multiple with the EV/EBITDA Multiples and the P/B Multiples of the Comparable Companies and we note that both the Implied EV/EBITDA Multiple and the Implied P/B Multiple fall within the range of the EV/EBITDA Multiples and the P/B Multiples of the Comparable Companies respectively. As such, we consider the Valuation Comparable Companies represent a fair reference for the Independent Shareholders.

Choice of valuation multiples

As to the choice of valuation multiple for the Valuation, the Valuer adopted the EV/EBITDA Multiple. As stated in the Valuation Report, the Valuer excluded the multiples of P/E, P/B, P/S, EV/S and EV/EBIT.

As further set out in the Valuation Report, P/B Multiple is considered not appropriate by the Valuer as the book value captures only the tangible assets of a company which, in case of a company which creates additional 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. As such, the book value of the equity has little bearing with its fair value. Therefore, the P/B Multiple is considered not a good measurement of the fair value of the Target Company. 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/S and EV/S Multiples are considered not appropriate for the Valuation as they do not consider the profitability of the Target Company. As both P/S and EV/S Multiples solely focus on the sales amounts but not the margin, the result will be easily distorted if the cost structure is not being taken into consideration. Thus, P/S and EV/S Multiples are not adopted in this valuation. EV/EBIT Multiple removes tax effect on earnings but does not remove non-cash items in earnings such as depreciation and amortisation of fixed assets. Thus, EV/EBIT Multiple is not adopted in the Valuation.

After the adoption of the EV/EBITDA Multiple, the Valuer adopted the median EV/EBITDA Multiple among the EV/EBITDA Multiples of the Valuation Comparable Companies. We have enquired the adoption of the median instead of the average of the EV/EBITDA Multiples of the Valuation Comparable Companies. As advised by the Valuer, the median instead of the average of the EV/EBITDA Multiples of the Valuation Comparable Companies eliminates the effect of outlier(s). From the review of the Valuation Report, it is noted that the difference between the minimum and the maximum EV/EBITDA Multiples of the Valuation Comparable Companies is significant. As such, we consider that the adoption of the median EV/EBITDA Multiples of the Valuation Comparable Companies is appropriate.

Our view

Having considered the above, in particular:

(i) the adoption of the market approach by the Valuer;

(ii) the review of the details of the valuation methodology, bases and assumptions adopted by the Valuer;

(iii) the Valuer accepted our suggestion to revise the sample selection criteria as mentioned above;

(iv) the list of Valuation Comparable Companies is exhaustive as represented by the Valuer which include companies listed on major stock exchanges which resulted in the difference compared to the list of Comparable Companies which include companies listed on the Stock Exchange,

we considered that the Valuation Report is a fair reference for the Independent Shareholders to assess the fairness and reasonableness of the Consideration.

11. Financial effect of the Disposal

Upon Completion, the Target Company will cease to be a subsidiary of the Company, the assets, liabilities and financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company. The financial effects of the Disposal on the Group's earnings, cash and net asset value are set out below. However, it should be noted that the analysis below is solely for illustrative purposes.

Earnings

As set out in the Letter from the Board, it is expected that the Group will record a gain of approximately RMB103.2 million as a result of the Disposal. The gain of approximately RMB103.2 million from the Disposal is calculated based on the Consideration (RMB670 million), minus the unaudited net asset value of the Disposal Group as of 31 December 2020 (RMB565.3 million) and the relevant fees incurred from the Disposal, including but not limited to the professional fees and administrative fees (RMB1.5 million). The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to the final audit to be performed by the auditors of the Company.

Cash

As the Consideration will be settled in cash, the amount of bank balances and cash of the Group will increase upon the Completion.

Net asset value

As set out in the Letter from the Board, a gain is expected to be recognised as a result of the Disposal, resulted from the difference between the Consideration and the unaudited net asset value of the Disposal Group prepared in accordance with International Financial Reporting Standards as of 31 December 2020. As such, the net asset value of the Group is expected to increase upon the Completion.

RECOMMENDATION

Having considered the above, we are of the view that while the Sale and Purchase Agreement and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 15 years of experience in the corporate finance industry.

I. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2018, 2019 and 2020 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 2018 published on 30 April 2019 (pages 53–238)
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430935.pdf

(ii) annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 53–241)
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501248.pdf

(iii) annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (pages 57–225)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900661.pdf

II. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2021, 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 2021, the Group had bank and other borrowings of approximately RMB5,391.8 million (being their principal amounts as at 30 April 2021), of which:

(i) bank and other borrowings of approximately RMB2,298.2 million were secured by certain leasehold land, property, plant and equipment, bank deposits, and/or equity interests in certain subsidiaries of the Group and guaranteed by certain independent third parties;

(ii) bank and other borrowings of approximately RMB2,802.0 million were secured by certain leasehold land, property, plant and equipment, bank deposits, accrued revenue on tariff subsidy, and/or equity interests in certain subsidiaries of the Group and unguaranteed; and

(iii) bank and other borrowings of RMB291.6 million were neither secured nor guaranteed.

Bond payables

As at 30 April 2021, the Group had outstanding bond payables with principal amount of approximately RMB615.4 million, among which RMB255.5 million is secured by certain deposits placed by the Group and unguaranteed, while the remaining RMB359.9 million is unsecured and guaranteed by Mr. Cheng Kin Ming.

Convertible bonds

As at 30 April 2021, the Group had outstanding unsecured and unguaranteed convertible bonds with an aggregate principal amount of approximately RMB676.5 million.

Lease obligation

As at 30 April 2021, the Group, as a lessee, had outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB30.5 million in aggregate (excluding contingent rental arrangement), among which RMB8.0 million is secured by rental deposits and unguaranteed, while the remaining RMB22.5 million is unsecured and unguaranteed.

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

As at 30 April 2021, the Group had non-trade related amounts due to independent third parties (included in other payables) with principal amount of approximately RMB2.4 million, which were neither secured nor guaranteed.

Amounts due to related parties

As at 30 April 2021, the Group had amounts due to related parties with principal amount of approximately RMB1,555.5 million, which were neither secured and guaranteed.

Financial guarantee contracts

As at 30 April 2021, the Group had provided financial guarantee totaling approximately RMB9.0 million in favour of bank enabling an independent third party to obtain secured bank borrowings. In addition, the Group had provided financial guarantee totaling approximately RMB182.2 million in respect of bank borrowings of a Group's joint venture. As at 30 April 2021, the Group had made provision of approximately RMB191.2 million for all these financial guarantee contracts.

Contingent liabilities

As at 30 April 2021, the Group had no material contingent liabilities outstanding.

General

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 30 April 2021.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 30 April 2021.

III. WORKING CAPITAL

In order to reduce the Group's highly indebted position and enhance its liquidity, the Company completed the 2018 Disposal 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 RMB1,055 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 had started reducing the Group's highly indebted position and finance costs, it could only strengthen the Group's liquidity in the long term, and it was 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) progressing the collection of the remaining proceeds from the 2019 Disposal and the 2020 Disposal; (ii) proceeding with the Disposal; (iii) proceeding with the Possible Disposals of Further Solar Power Plants; and (iv) continuing to negotiate 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 below:

Progress of proceeds received from the 2019 Disposal and the 2020 Disposal

During the year ended 31 December 2020, the Group completed the 2019 Disposal and the 2020 Disposal at a total consideration of RMB1,395 million and RMB509 million respectively. Up to the Latest Practicable Date, certain amount of remaining consideration receivable has been settled. The management of the Company expects that remaining amount of the total consideration will be received prior to December 2021.

The Disposal

On 31 December 2020, the Group entered into the Sale and Purchase Agreement to dispose of Disposal Group at the Consideration of RMB670 million. Assuming the conditions precedent (as detailed in the Disposal Announcement) in relation to the

Disposal would all be satisfied, the Disposal would generate an immediate cash inflow of approximately RMB390 million which would help the Group repay partially its debts that have been overdue or will become due in the next twelve months.

Possible Disposals of Further Solar Power Plants

Apart from the Disposal, according to the Group's current 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 2020 Disposal, which may include the discount arising from the lack of marketability, conditions precedent, timing and progress payments by tranches (the "**Possible Disposals of Further Solar Power Plants**"). The Company has been initiating discussions and negotiations with more than one potential buyer in respect of the Possible Disposals of Further Solar Power Plants.

Negotiation of 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) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date

In respect of bank and other borrowings

(i) Sino Alliance Capital Ltd. ("**Sino Alliance**") and True Bold Global Limited ("**True Bold**")

The Group had separately agreed with Sino Alliance and True Bold to repay part of the outstanding borrowings through the use of the remaining sale proceeds of the 2019 Disposal and the 2020 Disposal and the sales proceeds of Possible Disposals of Further Solar Power Plants.

As at the Latest Practicable Date, the outstanding amount owed by the Group to Sino Alliance and True Bold is HK$1,151.0 million and HK$171.7 million, respectively.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance and True Bold separately, as at Latest Practicable Date, the management of Sino Alliance and True Bold have been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they stand for the Development Plan proposed by the management of the Company.

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

On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its 20% of equity interest in Shunfeng Photovoltaic Holdings Limited to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HK$780,000,000 (equivalent to RMB656,448,000) by instalments, including:

(i) HK$300,000,000 shall be repaid on or before 31 December 2021, with paying HK$75,000,000 per quarter;

(ii) HK$300,000,000 shall be repaid on or before 31 December 2022, with paying HK$75,000,000 per quarter; and

(iii) Remaining HK$180,000,000 shall be repaid on or before 18 December 2023.

At as the Latest Practicable Date, pursuant to the above settlement details, the Company expects the repayable amount of HK$150,000,000 in the first and second quarter in 2021 will be settled prior to August 2021. CMBC-HK has been aware of the Company's proposed settlement plan, which is on the best endeavour basis of the Company.

(iii) Bondholders A of the Fourth CB

As detailed in Note 40(d) to the consolidated financial statement in the 2020 annual report of the Company, the Company entered into loan agreements and settlement agreements with the Bondholders A on 15 June 2019 for the extension of aggregated unpaid principal of totaling HK$564,250,000 (equivalent to RMB496,800,000) with an annual interest rate of 4.0% to 20 December 2019 (the "**Loan and Settlement Agreements**"), and all the rights under the original terms and conditions in relation to the Fourth CB and any interest payable to Bondholders A will be waived by the Company. As at the Latest Practicable Date, there was only one bondholder of Bondholders A in outstanding. On 26 March 2021, the Group entered into an extension agreement with that bondholder to further extend the due dates and the settlement of the outstanding principal of HK$350,000,000 (equivalent to RMB294,560,000) by instalment, including:

(i) HK$87,500,000 shall be repaid on or before 31 May 2021;

(ii) HK$87,500,000 shall be repaid on or before 30 November 2021;

(iii) HK$87,500,000 shall be repaid on or before 31 May 2022; and

(iv) Remaining HK$87,500,000 shall be repaid on or before 30 November 2022.

At as the Latest Practicable Date, pursuant to the above settlement details, the Company expects the first instalment repayable amount of HK$87,500,000 will be settled prior to August 2021. The bondholder has been aware of the Company's proposed settlement plan, which is on the best endeavour basis of the Company.

(iv) Chongqing International Trust Co., Ltd.* (重慶國際信託股份有限公司) ("**Chongqing Trust**")

As at Latest Practicable Date, the principal amount of RMB666,000,000 was overdue. The Group is currently finalising the extension agreement with Chongqing Trust, the management of the Company expects to the extension agreement will be signed in July 2021.

(v) Other remaining expired borrowings

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB93,272,000 overdue on the Latest Practicable Date.

The management of the Company assessed that RMB729,018,000 out of the total overdue balance of RMB1,524,713,000 as at 31 December 2020 and RMB745,272,000 out of total overdue balance of RMB1,854,737,000 on the Latest Practicable Date were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of the 2019 Disposal and the 2020 Disposal.

Management of the Company is optimistic that the relevant lenders will also accept such arrangement in respect of the Possible Disposals of Further Solar Power Plants.

In respect of bond payables

(vi) 2015 Corporate Bond

The corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**") with an outstanding principal balance of RMB550,000,000 was matured on 9 November 2019.

During the year ended 31 December 2020, total principal amount of RMB187,100,000 has been settled. As at 31 December 2020, the total principal amount of RMB362,900,000 and accrued bond interest of RMB47,097,000 were overdue.

Up to the Latest Practicable Date, the overdue principal amount and accrued bond interest were RMB356,900,000 and RMB60,003,000 respectively.

The management of the Company is optimistic that these bondholders of the 2015 Corporate Bond will support the Development Plan and agree to extend the due date to the time that a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

(vii) 2016 Corporate Bond

The corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**") was matured on 22 June 2018.

On 25 April 2020, the Group entered into an extension agreement with the bondholder which agreed conditionally to extend the due date to the time that a sufficient amount of consideration received by the Group from the 2019 Disposal or on or before 25 October 2020, whichever is earlier.

On 25 October 2020, the Group entered into an extension agreement with the bondholder which agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 April 2021.

During the year ended 31 December 2020, total principal amount of RMB20,000,000 has been settled. On 31 May 2021, the Company entered into another extension agreement with the bondholder to further extend the due date of outstanding principal amount of RMB255,463,000 to 25 October 2021.

As at Latest Practicable Date, the outstanding principal and the accrued bond interest was RMB255,463,000 and RMB51,295,000, respectively.

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 remaining proceeds from the 2019 Disposal and the 2020 Disposal, and the proceeds from the Disposal and Possible Disposals of Further Solar Power Plants, if any, management of the Company 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, are mostly short-term; and (ii) the exact timing of the completion of, and the collection of proceeds from the Disposal and the 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 are of the view that the actual timing of collection of the relevant proceeds from the Disposal and the 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 renegotiate with its creditors on an ongoing 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 Latest Practicable Date. If the creditors do not agree with the settlement plan/further extension plan as planned by the management of the Company, the Group will not have sufficient working capital for the next twelve months from the Latest Practicable Date.

Save as the above, management of the Company is still positive that upon partial repayment of the loan principal and/or outstanding interest by the remaining proceeds received from the 2019 Disposal and the 2020 Disposal, and the proceeds received from the Disposal 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. Management of the Company 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 remaining proceeds arising from the 2019 Disposal and the 2020 Disposal, and the proceeds arising from the Disposal and the possible consideration from Possible Disposals of Further Solar Power Plants that the Group could have received;

(b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants, which amounted to a total of RMB507,590,000 as at Latest Practicable Date. Management of the Company is confident that these creditors will not demand for immediate repayment based on its negotiations with these creditors; and

(c) As part of the Development Plan, negotiating with banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured and which will become mature within twelve months after the Latest Practicable Date, to further delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to obtain financial support from the controlling Shareholder to the Group to meet its liabilities and obligations as and when they fall due, advances from its Shareholders and/or from those entities owned and controlled by the Shareholders), in order to enable the Group to have adequate working capital in the next twelve months to repay the matured and maturing debts from time to time.

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 above events will be materialised, 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 Latest Practicable Date. 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 Latest Practicable Date.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its Development Plan as described above. Whether the Group will be able to have sufficient working capital for present operating requirements and for at least from the next twelve months commencing from the Latest Practicable Date would depend upon the Group' s ability to generate adequate financing and operating cash flows through the successful fulfilment of all the following conditions:

(i) collecting the remaining sale proceeds in respect of the 2019 Disposal and the 2020 Disposal in the next twelve months in accordance with the amount and timing expected by the Company;

(ii) completing the Disposal and collecting the proceeds in the next twelve months in accordance with the amount and timing expected by the Company;

(iii) seeking buyers and completing the Possible Disposals of Further Solar Power Plants in the next twelve months in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;

(iv) convincing its certain major creditors of RMB2,211,637,000 (including 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 remaining proceeds from the 2019 Disposal and the 2020 Disposal, and the proceeds from the Disposal 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 Possible Disposals of Further Solar Power Plants;

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

(vii) convincing banks, independent financial institutions and other counterparties, including those bank and other borrowings which have been renewed but not yet matured and which will be matured within the next twelve months, to further delay the loan repayment; and

(viii) seeking other financing resources (including but not limited to obtain financial support from the controlling Shareholder to the Group to meet its liabilities and obligations as and when they fall due, 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 so as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

Should the Group fail to achieve the above-mentioned 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 working capital of the Group.

IV. FINANCIAL AND TRADING PROSPECT OF THE COMPANY

Following the completion of the Disposal, it is the intention of the Company that the Group will focus on the solar power business and develop the Group into a global leading clean energy provider.

V. RISK MANAGEMENT OF POST DISPOSAL REMAINING GROUP

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

Business risk

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 Disposal Remaining Group is calculated in HK$.

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

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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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	27,345,588 (L)	0.55%
Zhang Fubo	Beneficial owner	9,918,000 (L)	0.20%

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 2020, the date of which the latest published audited financial statements of the Group were made up.

(c) Service contract

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

(d) Other disclosures under the SFO

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

(e) Competing Interests

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors nor their respective close associates (as defined in the Listing Rules) had any interests in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and chief executives of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares Interested	Approximate percentage of issued Shares
Peace Link	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 Kin Ming	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)*	3,219,606,736 (L)	64.62%
Mr. Tang Guoqiang	Interest of controlled corporation *(Note 6)*	437,118,989 (L)	8.77%
Bank of Communications Co., Ltd	Persons having a security interest in shares *(Note 7)*	619,230,457	12.43%

Notes:

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 Kin Ming. As at the Latest Practicable Date, Peace Link held 2,599,335,467 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 Kin Ming is the beneficial owner of 100% issued shares of Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% issued shares of Asia Pacific Resources, and in turn, Asia Pacific Resources is the beneficial owner of 100% issued shares of Peace Link. As at the Latest Practicable Date, Mr. Cheng Kin Ming 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 and, therefore, Faithsmart Limited is deemed to be interested in 75,557,191 Shares held by Asia Pacific Resources and 3,144,049,545 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 purposes of the SFO.

7. Bank of Communications Co., Ltd. enforced its right in 619,230,457 Shares it held by way of security as a lender on 25 November 2020.

8. The letter "L" denotes a long position in the shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. EXPERT'S QUALIFICATION AND CONSENT

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

Name	**Qualifications**
Opus Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Opus Capital Limited 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, Opus Capital Limited 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, Opus Capital Limited 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 2020, 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 2020, 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 claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

(i) the amendment agreement dated 24 March 2019 entered into between Shunfeng Photovoltaic Holdings and Asia Pacific Resources in respect of the amendments to the sale and purchase agreement dated 10 December 2018 entered into between the same parties, 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;

(ii) the 11 sale and purchase agreements dated 15 November 2019 entered into between Jiangxi Shunfeng Photovoltaic Investment Co., Ltd,* (江西順風光電投資有限公司), Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司) and Shijiazhuang Yakai New Energy Development Ltd* (石家莊亞凱新能源開發有限公司) (the indirect wholly-owned subsidiaries of the Company, as the vendors) and Zhonghe Shandong Energy Co., Ltd,* (中核山東能源有限公司) as the purchaser) in relation to the sale and purchase of the 2019 Subject Companies with the consideration including cash payment of RMB641.4 million, dividends payment of RMB196.8 million and repayment of relevant payables of RMB787.7 million (subject to adjustment to the relevant payables);

(iii) the sale and purchase agreements dated 16 March 2020 entered into between 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) and 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 vendors) and Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) as the purchaser in relation to the sale and purchase of the 2020 Subject Companies with the consideration including cash payment of RMB181.1 million and repayment of relevant payables of RMB287.8 million (subject to adjustment to the relevant payables);

(iv) the property leasing agreement dated 11 August 2020 entered into between Bank of China (Hong Kong) Limited (as the landlord), Shunfeng Photovoltaic Holdings, Tiancheng International Auctioneer Limited and Asia Pacific Resources (collectively as the tenants), pursuant to which Shunfeng Photovoltaic Holdings shall pay the rents, government rates and service charges of HK$341,643 per month and security deposit of HK$1,024,930 to Tiancheng International Auctioneer Limited; and

(v) the Sale and Purchase Agreement for the sale and purchase of the Target Interest at an aggregate Consideration of RMB670 million.

8. MISCELLANEOUS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (other than Saturday, Sunday and public holidays) at the principal place of business of the Company in Hong Kong at Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the memorandum of association of the Company;

(ii) the material contracts set out in the section headed "Material Contracts" in this appendix;

(iii) the Sale and Purchase Agreement;

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

(v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(vi) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(vii) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;

(viii) a copy of the circular of the Company dated 15 June 2020;

(ix) a copy of this circular; and

(x) the written letter of consent referred to in the section headed "Expert's Qualification and Consent" in this appendix.

10. GENERAL

(i) The company secretary of the Company is Mr. Lu Bin. Mr. Lu is an executive director of the Company and the authorised representative of the Company under the Listing Rules and the Companies Ordinance. Mr. Lu is a chartered accountant of New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

AVISTA Valuation Advisory
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The Board of Directors
Shunfeng International Clean Energy Limited
Room C, 30th Floor, Bank of China Tower,
No. 1 Garden Road, Central, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest of Lattice Power (Jiangxi) Company Limited

In accordance with your instruction, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a fair value valuation in connection with the 100% equity interest of Lattice Power (Jiangxi) Company Limited ("**Lattice Power (Jiangxi)**" or the "**Target**", together with its subsidiaries and associates as the "**Target Group**") as of 30 June 2020 (the "**Valuation Date**"). We understand that Shunfeng International Clean Energy Limited (the "**Company**", "**SFCE**" or "**you**") intends to dispose certain shareholding of the Target Group (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 100% equity interest of the Target Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

SFCE 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 ("**LED**") products.

The Target Group is an indirect non wholly-owned subsidiary of SFCE. The Target Group principally engaged in the manufacturing and sales of LED products in the PRC.

We understand that the Company intends to dispose certain equity interest of the Target Group. As such, the Company would like to assess the fair value of the 100% equity interest of the Target Group as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Group to understand the history, business model, operations, business development plan, etc. of the Target Group for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Group made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target Group; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

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

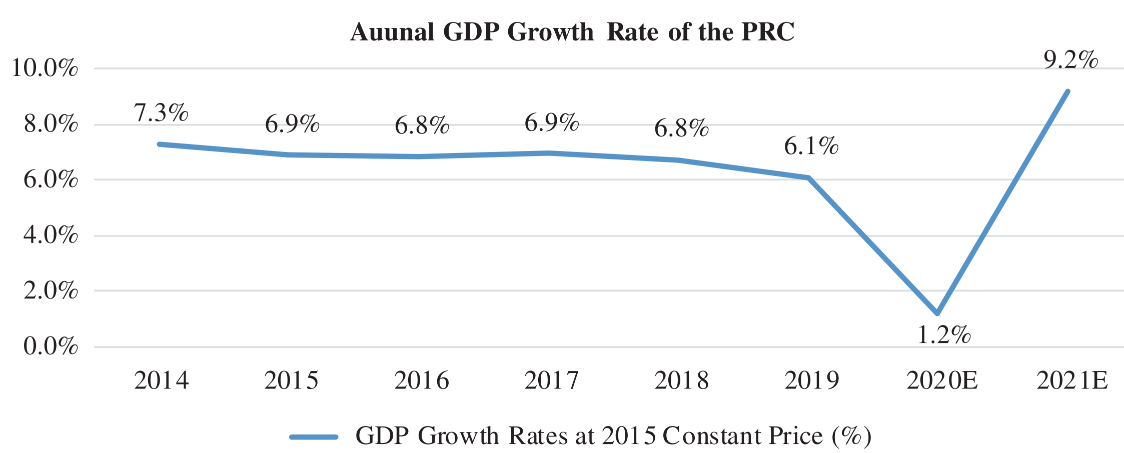
ECONOMIC OVERVIEW

Overview of the PRC economy

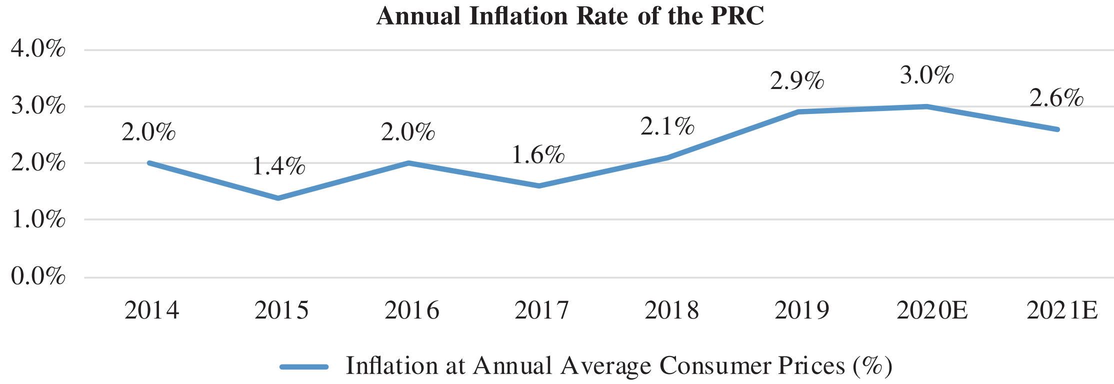
The PRC is the second-largest economy in the world in 2019, with an annual gross domestic product ("**GDP**") of USD14,343 billion, according to the World Bank. Despite the increase in GDP, the GDP growth rate of 6.1% in 2019 marked the slowest pace since 1990, due to weak domestic demand and deteriorating external environment. Domestically, industrial output and retail sales are slowing and high levels of debt have begun to weigh on economic performance, according to Economist Intelligence Unit ("**EIU**"). Externally, the Sino-US trade war, global economic slowdown and geopolitical tensions post an uncertain outlook for the PRC.

The PRC's GDP recorded a 6.8% contraction in the first quarter of 2020, primarily due to a severe blow to economic activity in connection with the Coronavirus Disease 2019 (the "**COVID-19**"). As reported by the National Bureau of Statistics of China ("**NBS**") in August 2020, fixed asset investment was down 1.6% year-on-year in July while private sector investment dropped 5.7%; retail sales were down 1.1% year-on-year. Nonetheless, monetary easing such as cutting interest rates and the nominal reserve ratio and fiscal resources through the issuance of bonds to fund public investment have been mobilized. EIU expects the annual GDP to expand by around 1.2 to 2.0%, signalling optimism on a faster-than-expected recovery and policy support. A rebound is expected to follow in 2021, with a GDP growth rate of 9.2%, as forecasted by International Monetary Fund ("**IMF**").

The external conditions are gloomy, notwithstanding that the current account is expected to remain in surplus at an average of 0.8% of GDP in 2020–22. The Sino-US trade war will intensify in the areas of technology, finance, security and investment. In response, trade policy will continue to centre on diversification. Meanwhile, EIU expects services imports to contract by 32.9% in 2020 owing to global travel restrictions and health concerns dragging demand for outbound tourism. The value of goods exports will contract by 14% as a result of disruption to global supply chains and demand.



(Source: World Economic Outlook, IMF, April 2020)



(Source: World Economic Outlook, IMF, April 2020)

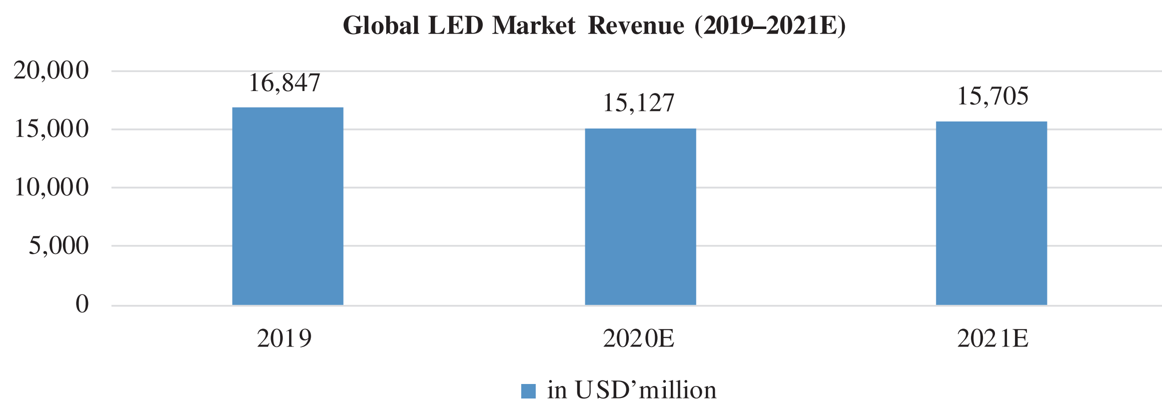
INDUSTRY OVERVIEW

Overview of the LED products manufacturing and sales market

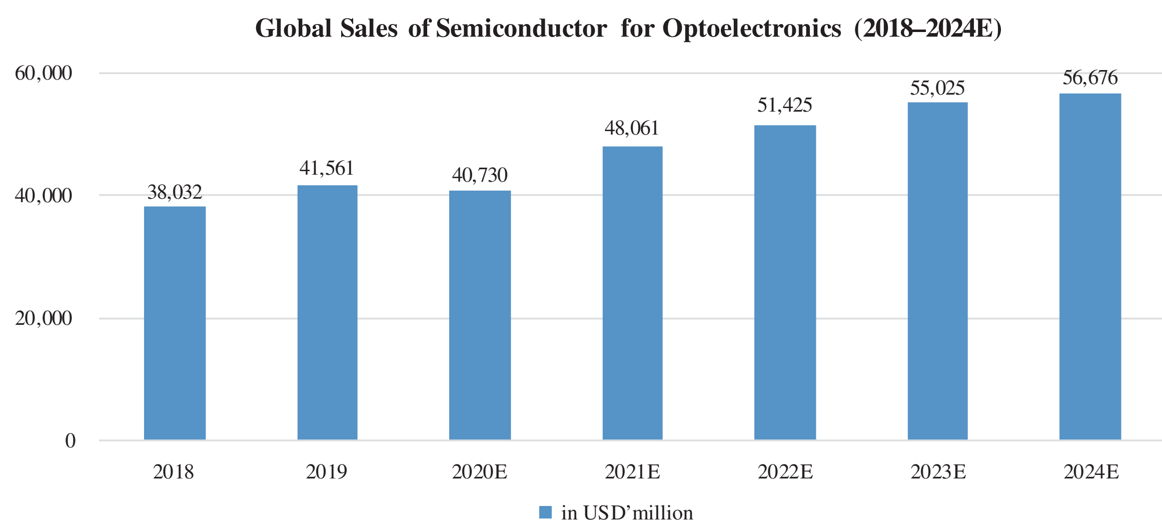
According to TrendForce, a research institute specialized in technology industry, the global LED market revenue is expected to decrease by 10.2% from USD16.8 billion in FY2019 to USD15.1 billion in FY2020 under the impact of COVID-19. Major affected segments including but not limited to automobile lighting products and commercial display backlight products. TrendForce has further projected that the LED product market will start to recover in FY2021 because of the reviving economy in post-pandemic era. Furthermore, the growth in demand of LED products from emerging indoor agriculture industry and the launch of mini-LED display applications will support the recovery of the industry. The global LED market revenue is expected to reach USD15.7 billion in FY2021, representing a year-over-year growth rate of 3.8%.

LED, photodetectors and laser diodes are the 3 major varieties of optoelectronic semiconductors. According to World Semiconductor Trade Statistics and J.P. Morgan Estimates, the global optoelectronic semiconductors market revenue is expected to have a year-over-year negative growth rate of 2.0% in FY2020 and a compounded annual growth rate of around 6.4% from FY2019 to FY2024.

In recent years, the optoelectronic semiconductors market for LED products in the PRC is experiencing an advancement in terms of quality. Owing to the expanded production capacity in early 2020, monthly production volume of 4-inch LED epitaxy wafer of the PRC is expected to reach 3.5 million units by the end of 2020, representing a year-over-year growth rate of 21%, reported by TrendForce. Oversupply in optoelectronic semiconductors for LED has deteriorated the profit margin of the low-end products and encouraged the producers to invest and participate in the production of the higher-end LED optoelectronic semiconductors with larger size and better energy efficiency. Such move has pushed the average price level of LED optoelectronic semiconductors upward and resulted in an improved profitability of the industry.



(Source: TrendForce)



(Source: World Semiconductor Trade Statistics, J.P. Morgan Estimates)

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Group).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Disposal and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target Group as of 30 June 2019, 31 December 2019 and 30 June 2020 provided by the management of the Company, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

The outbreak of COVID-19, as declared by the World Health Organization as a global pandemic on 11 March 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the comparable companies are engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group; and

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Group:

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. While the COVID-19 outbreak has significant impact on the global economy in general and there is no widely accepted consensus on potential influence in the future available, the management considers that they cannot provide a precise and concrete financial projection on the business due to the evolving uncertainties of market environment. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

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

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

- The primary industry of the acquiree is provision of the manufacturing and sales of LED products;
- Over 50% of the revenue is derived from the provision of the manufacturing and sales of LED products;
- The principal business activities of the acquiree are mainly conducted in the Asia area;
- The transaction is announced between July 2018 and June 2020; and
- The financial information of the companies is available to the public.

Based on our research results, there are two transactions with the acquirees engaging in similar businesses in the Asia area as the Target Group. Details of the transactions are illustrated as follows:

#	Announcement Date	Acquiree	Acquirer	Business Description of the Acquiree	% of Shareholding Acquired	Consideration	Implied Equity Value/Book Value Multiple	Implied Equity Value/Net Income Multiple	Implied Enterprise Value/ EBITDA Multiple
1)	1 Nov 2018	Xiamen Changelight Co., Ltd.	Taihang Industry M&A Private Placement Fund	Xiamen Changelight Co., Ltd. researches, develops, produces, and sells compound semiconductor devices in China.	6.39%	RMB296.7 million	1.6x	22.7x	23.2x
2)	27 Jun 2019	Semicon Light Co., Ltd.	Fusiondata Co., Ltd	Semicon Light Co., Ltd. produces and sells LED flip chips, UV LED, and chip scale package in South Korea.	12.63%	KRW19,697.2 million	5.2x	N/A [1]	212.0x

Source: S&P Capital IQ

Notes:

(1) Since the acquiree has exhibited net loss, the corresponding multiple is considered not applicable for reference.

Given the fact that only limited number of recent comparable transactions can be identified, while there is a wide range of multiples, we consider that the multiple derived based on comparable transactions may not be representable for our valuation, and thus, the comparable transactions method is not appropriate for this valuation.

By adopting comparable company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

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

- The primary business of the companies is provision of the manufacturing and sales of LED products;
- Over 50% of the revenue is derived from the provision of the manufacturing and sales of LED products;
- The principal business activities of the companies are mainly conducted in the Asia area;
- The companies are listed in major exchange markets;
- The companies are profit-making in the trailing 12-months ("**LTM**") as of the Valuation Date; and
- The financial information of the companies is available to the public.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s) [1]
1)	HongGuang Lighting Holdings Company Limited ("**HongGuang Lighting**")	SEHK: 6908	Hong Kong	HongGuang Lighting Holdings Company Limited, an investment holding company, designs, develops, manufactures, and sells LED beads and LED lighting products in the PRC. It offers candle, flood, bulb, spot, down, oyster, and panel lights, as well as tube and torch. The company also provides subcontracting services. It serves manufacturers of backlight LED modules/panels, LCD panels, and other electronic products, as well as a trading company.	LED Beads (96.6%); LED Lighting Products (2.6%); Subcontracting Service (0.8%)
2)	Sanan Optoelectronics Co., Ltd. ("**Sanan Optoelectronics**")	SHSE: 600703	The PRC	Sanan Optoelectronics Co., Ltd. engages in the research, development, production, and marketing of LED epitaxial wafers and chips, compound solar cells, compound semiconductors, semiconductor and communication chips, and sapphire substrates in the PRC and internationally. The company's LED lighting products include bulbs, tube lamps, down lights, spot lights, floodlights, fill lights, tunnel lights, and smart and horticulture lighting products primarily used in homes, shopping malls, hotels, office buildings, and public streets. Its gallium arsenide semiconductor chips are mainly used in microelectronics, including wireless communications, fiber optic communications, automotive, and other fields; gallium nitride semiconductor chips are used in various industries, such as power management; and management modules for electronic products comprising laptops, tablets, telephones, electric vehicles, solar cells, and telecommunications base stations.	Semiconductor Products (76.7%); Materials (21.7%); Service Income (1.7%)

Source: S&P Capital IQ and annual reports of the comparable companies

(1) Based on financial data from FY2019 annual report & S&P Capital IQ database.

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s) (1)
3)	Foshan NationStar Optoelectronics Co., Ltd ("**Foshan NationStar**")	SZSE: 002449	The PRC	Foshan NationStar Optoelectronics Co.,Ltd manufactures and sells LED components and application products in the PRC. The company offers LED chips for lighting, display, and backlight applications; components for lighting, such as flip-chips, chip-on-boards, and CSPs for a range of applications comprising illuminaires, lighting fixtures, and LCD TV backlights; and display components. It also provides components for indicating that include plastic packages and cutting dicing, and other products; and LED display modules, backlights, and light bars with SMT lines and automatic backlight-lense mounting lines for various applications, which comprise home electronics, including air conditioners, LCD TVs, and billboards. In addition, the company offers non-visual LED devices, including ultraviolet, infrared, and horticulture LED devices; and LED lighting products, such LED battens, tubes, downlights, panels, strips, and modules for commercial, decoration, residential, and outdoor lighting applications.	Electronic Component Manufacturing (85.5%); Export Trading (12.8%); Others (1.7%)
4)	Focus Lightings Tech Co., Ltd. ("**Focus Lightings**")	SZSE: 300708	The PRC	Focus Lightings Tech Co., Ltd. engages in the research and development, production, and sale of LED epitaxial wafers and chips in the PRC. It offers white light chips for LED lighting applications, as well as provides contract energy management services.	LED Chip and Epitaxial Wafer (99.9%); Energy Management Contract (0.1%); Others (0.0%)

Source: S&P Capital IQ and annual reports of the comparable companies

(1) Based on financial data from FY2019 annual report & S&P Capital IQ database.

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s) [1]
5)	Opto Tech Corporation ("**Opto Tech**")	TSEC: 2340	Taiwan	Opto Tech Corporation manufactures and sells optoelectronic semiconductor integrated solutions in Taiwan and internationally. The company offers visible and infrared LED chips; silicon sensor chips, including photo diode, photo transistor, photo triac, junction FET, power MOS FET, zener diode, and resistor chips; LED components, such as UV, IR, and visible emitters, eutectic flip chip packages, and chip on board and emitter on board modules; and display and lighting products comprising LED displays, LED architectural and stage lightings, LED luminaires, LED automotive lightings, VMS, CMS, and traffic lights.	Semiconductor Business Group (72.8%); System Business Group (21.8%); Packaging Business Group (5.2%); Other Department (0.2%)
6)	Everlight Electronics Co., Ltd. ("**Everlight Electronics**")	TSEC: 2393	Taiwan	Everlight Electronics Co., Ltd. provides LEDs, lamps, lighting components, LED lighting modules, opto-couplers, and infrared components for various applications worldwide. The company offers visible LED products, including horticulture, automotive, flash, UV, and SMD LEDs, as well as COB, LED lamps, and LED digital displays; infrared LED and silicon detectors; infrared receiver modules; optic fiber devices; and optical switch products. It also provides optical ICs comprising ambient light, proximity, and RGB color sensors; photo couplers, IGBT, and SSR products, such as solid state relays, photo darlington products, high speed products, Schmitt triggers, photo transistora, and triac drivers; and RoHS/ REACH products. The company's products are used in TV-monitors, home appliances, mobile devices, indoor and outdoor signage products, digital displays, and LED light bars, as well as for lighting, automotive, and industrial applications.	LED Sector (87.5%); Lighting Segment (9.0%); LCD Sector (3.2%); Other Department (0.3%)

Source: S&P Capital IQ and annual reports of the comparable companies

(1) Based on financial data from FY2019 annual report & S&P Capital IQ database.

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s) (1)
7)	Bright LED Electronics Corp. ("**Bright LED**")	TSEC: 3031	Taiwan	Bright LED Electronics Corp. manufactures and sells LED products. It offers PCBA products, such as motor, sensor, and LED light bar assemblies; LED components comprising lamps, displays, SMDs, PLCC, and infrared; and LED indoor, outdoor, and specialty lighting products. The company offers its products for applications in consumer electronics industry, lighting market, automotive market, and other markets. It has operations in Taiwan, China, South Korea, the Southeast Asia, the United States, and Europe.	Manufacture and Sales of LED Components and Related Products (76.0%); Sales of LED Components and Related Products (63.9%); Grain Manufacturing and Sales Operations (20.7%); Manufacture and Sales of Circuit Board Products (5.3%); Adjustment and Elimination (–65.9%)

Source: S&P Capital IQ and annual reports of the comparable companies

(1) Based on financial data from FY2019 annual report & S&P Capital IQ database.

As over 50% of revenue of the above comparable companies are generated from manufacturing and sales of LED products, these comparable companies, together with the Target Group, are considered to be similarly subject to fluctuations in the economy and performance of the LED industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target Group, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/sales ("**EV/S**"), enterprise value/earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/B multiple is considered not appropriate for this valuation 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 ratio 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 ratio 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 of the fair value of a company.

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/S and EV/S multiples are considered not appropriate for this valuation because they do not consider the profitability of the Target Group. As both 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 in this valuation.

EV/EBIT multiple removes tax effect on earnings but not non-cash items in earnings, such as depreciation and amortization of fixed assets. Thus, EV/EBIT multiple is not adopted in this valuation.

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.

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

No	Company Name	Reporting Currency	Market Capitalization as of 30 June 2020	Enterprise Value (1)	LTM EBITDA (2)	EV/EBITDA before LOMD and Control Premium	EV/EBITDA After LOMD and Control Premium
		(in million)					
1	HongGuang Lighting	RMB	237	224	28	8.1	9.2
2	Sanan Optoelectronics	RMB	111,371	112,166	2,146	52.3	59.4
3	Foshan NationStar	RMB	7,174	6,298	641	9.8	11.2
4	Focus Lightings	RMB	3,780	4,407	131	33.7	38.3
5	Opto Tech	TWD	7,746	5,790	1,215	4.8	5.4
6	Everlight Electronics	TWD	13,723	9,075	2,715	3.3	3.8
7	Bright LED	TWD	2,515	1,797	190	9.4	10.7
	Maximum						59.4
	Minimum						3.8
	Median (3)						10.7
		Lack of Marketability Discount ("LOMD") (4)					**15.8%**
		Control Premium (5)					**34.9%**

Notes:

(1) Data sourced from S&P Capital IQ database and the financial statements of the comparable companies. The enterprise values of the comparable companies are computed based on the market capitalization of the comparable companies as of 30 June 2020 and the latest financial data of the comparable companies available as of the Valuation Date.

(2) Data sourced from S&P Capital IQ database and the financial statements of the comparable companies.

(3) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliners from distorting the result.

(4) 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.

The report "Stout Restricted Stock Study Companion Guide (2020 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a marketability discount is 15.8%. A marketability discount of 15.8% is considered appropriate and suitable for this valuation as we understand that the Target Group is a group of privately held companies.

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

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

(5) 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 Target Group's shares. The report "Control Premium Study: 2nd Quarter 2020" by FactSet Mergerstat, LLC, a reputable research company, suggested an average control premium is 34.9%. A control premium of 34.9% is considered appropriate and suitable for this valuation as we understand that the Company intends to dispose a controlling stake in the Target Group.

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

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

Combining the adjustments on LOMD and control premium,

Adjusted EV/EBITDA multiple = EV/EBITDA multiple × (1 – LOMD) × (1 + Control Premium)

Valuation Result

	RMB'000
LTM EBITDA of the Target Group [(1)]	58,851
Adjusted Median EV/EBITDA Multiple	10.7x
Estimated 100% Enterprise Value of the Target Group	630,778 [(2)]
Add: Cash and Cash Equivalent [(1)]	143,685
Less: Debt [(1)]	(110,000)
Estimated 100% Equity Value of the Target Group	**664,463**

Notes:

(1) The financial data for the period 1 July 2019 to 30 June 2020, which is based on the consolidated financial statements of the Target Group provided by the management of the Company for the year ended 31 December 2019 and the 6-month periods ended 30 June 2019 and 30 June 2020.

(2) The amount does not equal to the multiple of LTM EBITDA of the Target Group and the adjusted median multiples illustrated above due to rounding.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target Group as of the Valuation Date is RMB664,463,000.

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

We hereby certify that we have neither present nor prospective interests in Shunfeng International Clean Energy Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS,
RICS Registered Valuer
Managing Director

Analysed and Reported by:
Leo K W Hung
CPA(HK)
Senior Manager
Mos H M Kwan
Senior Analyst
Eva L W Tam
Senior 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, a member of RICS and a RICS Registered Valuer. 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.

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 Tuesday, 13 July 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution. Unless otherwise defined, capitalised terms defined in the circular dated 23 June 2021 shall have the same meanings when used in this notice.

ORDINARY RESOLUTION

1. "**THAT**

   (a) the Sale and Purchase Agreement and the transactions contemplated thereunder be and hereby approved, confirmed and ratified; and

   (b) any one Director be and is hereby authorised on behalf of the Company to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute direction may consider necessary, appropriate or desirable to implement or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

By order of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman and Chief Executive Officer

Hong Kong, 23 June 2021

Notes:

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

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

3. The register of members of the Company will be closed from Thursday, 8 July 2021 to Tuesday, 13 July 2021, 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, 7 July 2021.

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

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

6. The resolution at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

As at the date of this notice, the executive Directors are Mr. 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.

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following precautionary measures at the EGM to ensure the safety of the Shareholders and other participants who will attend the EGM:

(i) A compulsory body temperature check will be conducted for every attendee at the entrance of the Venue. Any person with a body temperature of over 37.3 degree Celsius will not be admitted to the Venue.

(ii) Each attendee is required to wear a surgical mask at any time within the Venue. Please note that no surgical mask will be provided at the Venue and attendees should bring and wear their own masks.

(iii) Seats at the Venue will be arranged in such a manner so as to allow appropriate social distancing. As a result, there will be limited capacity for Shareholders. The Company may limit the number of attendees at the EGM as may be necessary to avoid overcrowding.

(iv) Any person who (a) has travelled outside Hong Kong within 14 days immediately before the EGM ("**recent travel history**"); (b) is subject to quarantine or self-quarantine in relation to COVID-19; or (c) has close contact with any person under quarantine or with recent travel history shall not attend the EGM.

(v) Any attendee who does not comply with the abovementioned measures will not be admitted to the Venue.

(vi) No refreshments, corporate gifts or souvenirs will be served or distributed at the EGM. The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances.

Furthermore, the Company would like to remind Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.sfcegroup.com. In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Subject to the development of the COVID-19 situation, the Company may implement further precautionary measures in respect of the EGM, and may issue further announcement(s) on such measures as and when appropriate.