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

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

THE SALE AND PURCHASE AGREEMENTS

On 24 September 2021 (after trading hours), the Vendors entered into two Sale and Purchase Agreements with the Purchaser, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interests, representing 100% of the equity interests in all of the Target Companies, at an aggregate Consideration of approximately RMB414.7 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 Agreements and the Disposals in aggregate exceed 75%, the Disposals collectively constitute a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposals contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Disposals and (ii) the notice of the EGM, is expected to be despatched to the Shareholders on or before 31 October 2021 as more time is required to prepare the information to be disclosed in the circular.

GENERAL

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 27 September 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 7 October 2021.

INTRODUCTION

On 24 September 2021, the Vendors entered into two Sale and Purchase Agreements with the Purchaser, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interests respectively held by the Vendors (details of which are set out below).

SALE AND PURCHASE AGREEMENTS

A summary of the parties and the scope of the Target Equity Interests to be disposed of by the Vendors is set out as follows.

No.	Sale and Purchase Agreements	Parties	Target Equity Interests
1.	Hebei Sanlong SPA	1. Jiangsu Sanfeng (as vendor) 2. Shijiazhuang Huaiyuan (as vendor) 3. Purchaser (as purchaser)	100% equity interest of Hebei Sanlong (51% by Jiangsu Sanfeng and 49% by Shijiazhuang Huaiyuan)
2.	Shangyi County Shunneng SPA	1. Hebei Zhenlong (as vendor) 2. Purchaser (as purchaser)	100% equity interest of Shangyi County Shunneng (100% by Hebei Zhenlong)

Consideration and payment: The table below sets out the breakdown of the aggregate Consideration payable by the Purchaser (i.e. RMB414,666,253.15, including the Equity Consideration and the Payables to Shareholders) pursuant to each Sale and Purchase Agreement:

		Equity Consideration *(in RMB)*	Payables to Shareholders* *(in RMB)*	Total Consideration *(in RMB)*
1.	Hebei Sanlong SPA	96,000,000.00	173,715,254.39	269,715,254.39
2.	Shangyi County Shunneng SPA	74,000,000.00	70,950,998.76	144,950,998.76
	Total	**170,000,000.00**	**244,666,253.15**	**414,666,253.15**

Note: the amount of the Payables to Shareholders is based on the financial statements of the Target Companies as at the Valuation Reference Date and is indicative only. The final amount of the Payables to Shareholders shall be subject to Closing Audit.

Equity Consideration: Under each Sale and Purchase Agreement, the Equity Consideration will be settled in three tranches by cash, details of which are set out as follows:

(i) First tranche:

After the Sale and Purchase Agreements become effective, the Purchaser shall pay the first tranche (60%) of the Equity Consideration into a bank account designated by the relevant Vendor(s) within 15 Business Days after the following payment conditions are satisfied:

(a) after the execution of the relevant Sale and Purchase Agreement and the publication of this announcement, the relevant Target Company and the Purchaser having signed a written agreement with Kangfu Leasing to release the share charges, pledge of electricity charges, charges on assets and shares frozen by the court (as the case may be), pursuant to which the Purchaser shall repay all the outstanding amounts owed by the relevant Target Company to Kangfu Leasing;

(b) the relevant Target Company having received the written confirmation issued by its creditors on the amount of debts as specified in each Sale and Purchase Agreement. If such confirmation is not available, the Vendor(s) shall issue a written undertaking to settle the expenses and payments other than the disclosed debts (subject to the confirmation by the auditor of the Purchaser);

(c) the relevant Target Company having signed a supplemental agreement with Mintou Electric Power Development Co., Ltd.* (旻投電力發展有限公司) to the Photovoltaic Power Station Operation and Maintenance Management and Technical Service Agreement and the relevant ancillary agreements, which specifies the remaining period for operation and maintenance service and the service fees payable, subject to the Purchaser's confirmation prior to signing. If the Purchaser fails to specify the future operation plan of the relevant Target Company within 15 Business Days after the signing of each Sale and Purchase Agreement, this condition shall no longer be a condition to the payment of the first tranche of Equity Consideration;

(d) the Vendors having obtained approval from the relevant authority for the transfer of Target Equity Interests;

(e) each Target Company having completed the registration of the transfer of the Target Equity Interests and having obtained a new business license; and

(f) the Vendor(s) and the Purchaser having signed and completed the steps set out in the handover checklist under each Sale and Purchase Agreement,

(a) to (f) together, the "**First Payment Conditions**".

The total amount of the first tranche of Equity Consideration is approximately RMB102 million.

(ii) Second tranche:

The Purchaser shall pay the second tranche of the Equity Consideration (38.96% of the Equity Consideration under the Hebei Sanlong SPA and 32.97% of the Equity Consideration under the Shangyi County Shunneng SPA) into a bank account designated by the relevant Vendor(s) within 15 Business Days after Completion and the Closing Audit having been completed. The total amount of the second tranche of Equity Consideration is approximately RMB61.8 million.

(iii) Third tranche:

The Purchaser shall pay the third tranche of the Equity Consideration (1.04% of the Equity Consideration under the Hebei Sanlong SPA and 7.03% of the Equity Consideration under the Shangyi County Shunneng SPA) into a bank account designated by the relevant Vendor(s) within 15 Business Days after the remedial matter as listed in each Sale and Purchase Agreement having been completed and confirmed by the Purchaser. The total amount of the third tranche of Equity Consideration is approximately RMB6.2 million.

Basis of Equity Consideration:

The Equity Consideration was arrived at after arm's length negotiation between the Purchaser and the relevant Vendors, which is calculated according to the following formula:

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

(1) the business enterprise value of the Target Companies as at 31 December 2020 of approximately RMB948.3 million (the "**Business Enterprise Value**") as stated in the valuation report (the "**Valuation Report**") conducted by an independent valuer by the Company, AVISTA Valuation Advisory Limited ("**Valuer**"), adopting the income approach. For the purpose of the Valuation Report, the Business Enterprise Value is equivalent to the value of all operating assets, including long-term assets (e.g. solar power plants, machinery and equipment) and net operating working capital;

(2) the total non-operating assets of the Target Companies of approximately RMB144.8 million according to the unaudited financial statements as at 31 December 2020, including but not limited to the value-added tax recoverable, other receivable and other non-current assets;

(3) the total non-operating liabilities of the Target Companies of approximately RMB936.6 million according to the unaudited financial statement as at 31 December 2020, including but not limited to bank and other borrowings and other payable of the Target Companies as at 31 December 2020.

Having considered the Business Enterprise Value in the Valuation Report (being item (1) as one of the referencing factors for the determination of the Equity Consideration, and further considered the factors in items (2) to (3), the Board estimated that the preliminary consideration for the transfer of the Target Equity Interests as approximately RMB156.5 million (the "**Estimated Value**"); and

(4) having considered the Estimated Value as the initial referencing basis of the Equity Consideration for negotiation with the Purchaser and upon rounds of arms' length commercial negotiation between the Vendors and the Purchaser taking into account, among other things, the bulk purchase of the Target Companies, an additional amount approximately RMB13.5 million over the Estimated Value as agreed between the parties.

Payables to Shareholders: Under each Sale and Purchase Agreement, the Purchaser shall procure the Target Companies to pay the Payables to Shareholders to the relevant Vendor(s) in two tranches by cash, details of which are set out as follows:

(i) First tranche:

The relevant Target Company shall pay the first tranche (65%) of the Payables to Shareholders into a bank account designated by the relevant Vendor(s) within 15 Business Days after the First Payment Conditions are satisfied. The total amount of the first tranche of the Payables to Shareholders is approximately RMB159 million.

(ii) Second tranche:

The relevant Target Company shall pay the second tranche of the Payables to Shareholders into a bank account designated by the relevant Vendor(s) within 15 Business Days after the Closing Audit of each Target Company is completed.

The second tranche of the relevant Payables to Shareholders shall be the remaining shareholders' loan owed by the relevant Target Company to the relevant Vendor(s) as at the Completion Date, minus the first tranche (65%) of the relevant Payables to Shareholders paid to the relevant Vendor(s). The total amount of the second tranche of the Payables to Shareholders is approximately RMB85.6 million (subject to the Closing Audit).

Repayment of third party debts:	The relevant Vendor(s) shall be responsible for any damages payable due to the default in payment of rental to Kangfu Leasing or performance of other agreements, any extra costs arising from early repayment of any debt and any other relevant costs (if any), unless provisions have been made for the costs which are agreed by the auditors appointed by the Purchaser. If the Purchaser or the relevant Target Company directly or indirect pays the above costs, the Purchaser or the relevant Target Company shall have the right to deduct such costs from the unpaid Equity Consideration or the Payables to Shareholders.
Remedies for payment defaults:	If the Purchaser or the relevant Target Company fails to perform its payment obligation, the Purchaser or the relevant Target Company shall be liable to pay damages to the relevant Vendor(s), which is equivalent to 8% of the overdue amount on an annual basis. The Purchaser shall transfer the relevant Target Equity Interests back to the relevant Vendor(s) and return all the documents and assets received from the relevant Vendor(s).
Condition:	Each Sale and Purchase Agreement shall only become effective upon having obtained the approvals from the relevant authority (including but not limited to the Stock Exchange and the Shareholders, if applicable).
Completion:	Completion is conditional upon satisfaction of the Condition as specified in each Sale and Purchase Agreement. Completion of the Sale and Purchase Agreements is not inter-conditional upon each other. The release of share charges and shares frozen by the court is also necessary before the transfer of the Target Equity Interests can be completed. Please refer to the section headed "The relationship between the Target Companies and Kangfu Leasing" below for further details.

The Purchaser and the Vendors shall sign the equity transfer documents within 3 Business Days after satisfaction of the Condition. The Purchaser and the Vendors shall complete the procedure of transfer of the Target Equity Interests within 5 Business Days after the equity transfer documents are completed.

The relevant Vendor(s) shall handover all documents of the relevant Target Company to the Purchaser within 5 Business Days after the Transfer Date.

The relationship between the Target Companies and Kangfu Leasing

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Kangfu Leasing is an independent third party of the Group.

In October 2015, (i) the Company, Shunfeng Photovoltaic Investments, Kangfu Leasing, Jiangsu Sanfeng, Shijiazhuang Huaiyuan and Hebei Sanlong; and (ii) the Company, Shunfeng Photovoltaic Investments, Kangfu Leasing, Hebei Zhenlong and Shangyi County Shunneng entered into two sets of finance leasing and ancillary agreements (including charges over the shares and assets of the Target Companies and pledge of their electricity charges), respectively. Pursuant to these agreements, Shunfeng Photovoltaic Investments agreed to construct and connect the solar power plants with the grid for power generation, and sell the equipment of these solar power plants to Kangfu Leasing for approximately RMB253 million and RMB274 million, respectively. Kangfu Leasing agreed to lease these equipment to Hebei Sanlong and Shangyi County Shunneng for a term of three years with the total rental payment of RMB250 million and RMB270 million respectively, with an interest of 7% per annum and certain additional transaction fees. In September 2018, (i) the Company, Shunfeng Photovoltaic Investments, Kangfu Leasing and Hebei Sanlong; and (ii) the Company, Shunfeng Photovoltaic Investments, Kangfu Leasing and Shangyi County Shunneng entered into two supplementary finance leasing agreements. In December 2019, Kangfu Leasing, Hebei Sanlong, Shangyi County Shunneng and Yangyuan Juge Photovoltaic Technology Co., Ltd* (陽原聚格光電科技有限公司, an indirect wholly owned subsidiary of the Company, which had entered into another finance leasing agreement with Kangfu Leasing) entered into a further supplementary finance leasing agreement. The supplementary agreements set out, among other things, the extended due dates and the additional costs payable by Hebei Sanlong and Shangyi County Shunneng to Kangfu Leasing.

However, the Target Companies were unable to perform their obligations under these finance leasing agreements. This was in part due to a delay in receiving payments from the Target Companies' receivables and a delay in receiving tariff subsidies from the State Grid as a result of limited sources of income of the Renewable Energy Development Funds, which affected the Target Companies' cash flows.

Subsequently, Kangfu Leasing commenced legal proceedings in No. 1 Intermediate People's Court in Beijing* (北京市第一中級人民法院) to request for an order to freeze assets and shares of Shangyi County Shunneng. This is because Kangfu Leasing noted that Shangyi County Shunneng was involved in certain legal proceedings due to default in payments in other contractual arrangements; hence Kangfu Leasing requested for such order to ensure its priority over the assets and shares of Shangyi County Shunneng. Such order was granted by the court subsequently.

As at 31 December 2020, each of Hebei Sanlong and Shangyi County Shunneng owed Kangfu Leasing approximately RMB265.6 million and approximately RMB305.32 million, respectively (including principal and interest).

The release of share charges, pledge of electricity charges, charges on assets and shares frozen by the court is included as a condition for the payment in order to ensure that the Purchaser will have control of the relevant Target Company and that the Target Companies will be free from encumbrances. The release of share charges and shares frozen by the court is also necessary before the transfer of the Target Equity Interests can be completed.

VALUATION

According to the Valuation Report, the fair value of the Business Enterprise Value of the Target Companies (the "**Valuation**") as at 31 December 2020, prepared on an income approach, amounts to RMB948.3 million. In this respect, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules (the "**Profit Forecast**") and, accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the Disposals.

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

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

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

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

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

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

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

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

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

The following is the qualification of the experts who have given their opinion and advice included in this announcement:

Name	**Qualification**
AVISTA Valuation Advisory Limited	Professional valuer
BDO Limited	Certified Public Accountants

As at the date of this announcement, each of the Valuer and BDO does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group. Each of the Valuer and BDO has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it appears in this announcement.

REASONS FOR AND BENEFITS OF THE DISPOSALS

2018 Disposal, Previously Proposed Subscription, 2019 Disposal, 2020 Disposal, the Lattice Power Disposal and 2021 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, RMB781.8 million in its 2020 annual report and RMB289.6 million in its 2021 interim results announcement, respectively. As disclosed in the Company's 2019 and 2020 annual reports and 2021 interim results announcement, the Group was in a negative net cash position of RMB8,563.7 million, RMB6,360.8 million and RMB6,467.7 million as at 31 December 2019, 31 December 2020 and 30 June 2021, 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; (iv) the 2020 Disposal; (v) the Lattice Power Disposal; and (vi) the 2021 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) ("**Jiangsu Shunfeng**", together with its subsidiaries, the "**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* (信息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 31 December 2021. As at the date of this announcement, 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 31 December 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 31 August 2021, the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group was approximately RMB1,641 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, 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 an indirect 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 date of this announcement, the Group has received RMB1,318.7 million from the 2019 Disposal Purchaser. The Company expects that the remaining amount of RMB57.2 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 indirect 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 and Shanghai Shunneng 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 date of this announcement, 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 30 November 2021.

Lattice Power Disposal

As disclosed in the announcement of the Company dated 31 December 2020 and the circular of the Company dated 23 June 2021, on 31 December 2020 (after trading hours), Lattice Power Corporation (晶能光電有限公司*, an indirect non wholly-owned subsidiary of the Company, as the vendor) entered into a sale and purchase agreement with Nanchang Guanggu Group Limited* (南昌光穀集團有限公司, as the purchaser), pursuant to which Lattice Power Corporation agreed to sell 100% of the equity interests in Lattice Power (Jiangxi) Co., Ltd* (晶能光電(江西)有限公司) with the consideration of RMB670 million. As the Company indirectly held 58.3% of equity interests in the Lattice Power Corporation, the Company will be entitled to approximately RMB390.6 million from the consideration of RMB670 million. On 18 August 2021, Lattice Power Corporation entered into a supplementary agreement with Nanchang Guanggu Group Limited to change the purchasers to Gong Qing Cheng Zhi Ben Investment Company Limited* (共青城致本投資有限公司, "**Zhi Ben**"), Gong Qing Cheng Si Rui Investment Partnership Enterprise (Limited Partnership)* (共青城思睿投資合夥企業(有限合夥), "**Si Rui**"), Gong Qing Cheng Zhi Zhen Investment Partnership Enterprise (Limited Partnership)* (共青城致真投資合夥企業(有限合夥), "**Zhi Zhen**") and Gong Qing Cheng Guan Tong Investment Partnership Enterprise (Limited Partnership)* (共青城觀通投資合夥企業(有限合夥), "**Guan Tong**") (collectively the "**Lattice Power Disposal New Purchasers**") pursuant to the terms of the sales and purchase agreement dated 31 December 2021, acquiring 50%, 20%, 20% and 10% of the equity interests in Lattice Power (Jiangxi) Co., Ltd., respectively. Zhi Ben is 75% owned by Mr. Wang Min (a director of Lattice Power Corporation and therefore a connected person of the Company) and 25% owned by Mr. Peng Guoping (an independent third party). The general partner of Si Rui is Gong Qing Cheng Yue Xin Investment Company Limited* (共青城悅芯投資有限公司, "**Yue Xin**") which is 90% owned by Zhi Ben and 10% owned by Mr. Wang Min. Gong Qing Cheng Ge Rui Han Te Investment Management Partnership Enterprise (Limited Partnership)* (共青城格銳翰特投資管理合夥企業(有限合夥), "**Ge Rui Han Te**") is a limited partner holding 99% of interest in Si Rui. Mr. Wang Gang, the younger brother of Mr. Wang Min and therefore a connected person of the Company, is the general partner and holding 99% of interest in Ge Rui Han Te. The general partner of Zhi Zhen is Yue Xin holding 1% of interest and Jiangxi Wen Xin Industrial Company Limited* (江西文信實業有限公司, "**Jiangxi Wen Xin**") is a limited partner holding 99% of interest in Zhi Zhen. Jiangxi Wen Xin is 90% owned by Mr.

Wang Gang. The general partner of Guan Tong is Yue Xin holding 1.5% of interest and Ge Rui Han Te is a limited partner holding 98.5% of interest in Guan Tong. The registration of share transfer of Lattice Power (Jiangxi) Co., Limited has been completed in September 2021.

As mentioned above, since the Company indirectly held 58.3% of equity interests in Lattice Power Corporation, the Company will be entitled to approximately RMB390.6 million from the consideration of RMB670 million. The first payment of approximately RMB11.6 million was paid by Nanchang Guanggu Group Limited as deposit to the jointly managed account on 21 January 2021. Pursuant to an agreement entered into between Nanchang Guanggu Group Limited and the Lattice Power Disposal New Purchasers, the Lattice Power Disposal New Purchasers paid to Nanchang Guanggu Group Limited the amount of approximately RMB11.6 million, being the first payment paid by Nanchang Guanggu Group Limited in relation to the Lattice Power Disposal. The second payment of approximately RMB189.5 million, of which approximately RMB111.4 million was paid by Zhi Ben and approximately RMB78.1 million was paid by Si Rui, respectively, was paid to the jointly managed account on 10 September 2021.

The first payment and the second payment had been transferred from the jointly managed account to the account of the vendor. The date for receiving the third payment of approximately RMB189.5 million is expected to be on or before 2 November 2021.

2021 Disposal

As disclosed in the announcement of the Company dated 24 August 2021, Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde Solar Power Electricity Co., Ltd* (深圳尚德太陽能電力有限公司, "**Shenzhen Shangde**") (as the vendors) entered into seven sale and purchase agreements with China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd.* (中電投新疆能源化工集團阿克蘇有限公司), a company incorporated under the laws of the PRC (as the purchaser), pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde agreed to sell 100% of the equity interests in Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd* (保山長山順風尚德新能源有限公司), Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd* (疏附縣浚鑫科技光伏發電有限公司), Kezhou Baishide New Energy Development Co., Ltd* (克州百事德新能源開發有限公司), Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd* (麥蓋提金壇正信新能源科技有限公司), Wushi Longbai Electricity Investment Co., Ltd* (烏什龍柏電力投資有限公司), Yingjisha County Rongxin Tianhe New Energy Co., Ltd* (英吉沙縣融信天和新能源有限責任公司), and Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd* (疏附縣中建材新能源光伏發電有限公司). The Company will be entitled to an aggregate consideration of RMB537.6 million. The Company expects to dispatch a circular containing, among other things, further information on the 2021 Disposal and the notice of the extraordinary general meeting for the Shareholders to consider and, if thought fit, approve the 2021 Disposal, on or before 29 October 2021.

However, although the completion of the 2018 Disposal, the 2019 Disposal and the 2020 Disposal had significantly reduced, the Lattice Power Disposal and the proposed completion of the 2021 Disposal is expected to reduce, 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 Disposals; (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, RMB6,360.8 million as at 31 December 2020 and RMB6,467.7 million as at 30 June 2021. In particular, the Group's negative net cash position of RMB6,467.7 million as at 30 June 2021 included cash and cash equivalents of RMB16.0 million, bank and other borrowings of RMB5,353.1 million, convertible bonds of RMB545.2 million and bonds payable of RMB585.4 million.

As at the date of this announcement, the Company has the following major debts due on or before 31 December 2021:

No.	Creditor	Principal amount in thousands of *HK$*	Principal amount in thousands of *RMB*	Due date
1.	Sino Alliance	351,000	—	31 December 2019 and seeking further extension date
		800,000	—	31 December 2020 and seeking further extension date
2.	China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行)	300,000	—	31 December 2021
3.	Chongqing International Trust Inc.* (重慶國際信託股份有限公司)	—	666,000	30 September 2020 and seeking further extension date
4.	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")	—	329,909	31 March 2020 and pending further negotiation with the creditor
5.	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")	—	255,463	25 October 2021
6.	True Bold Global Limited	171,690	—	27 November 2019 and seeking further extension date
7.	Rainbow Fort Investments Limited	175,000	—	30 November 2021
	Total	**1,797,690**	**1,251,372**	

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 "Sale and Purchase Agreements — Consideration and payment" above, the aggregate Consideration is RMB414.7 million. As such, the Company expects that the proceeds from the Disposals 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 RMB364.7 million; (ii) engage in further negotiations with the major creditors of the Company including Sino Alliance, China Minsheng Banking Corp., Ltd Hong Kong Branch 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 date of this announcement, 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 2021 interim results announcement of the Company published on 30 August 2021. As set out in note 1 to the interim condensed consolidated financial statements, 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 review conclusion on the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 on multiple uncertainties over the Group's ability to continue as a going concern. To address the disclaimer of review conclusion, 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, the Lattice Power Disposal, the 2021 Disposal and the Disposals, which are intended to be used to settle certain debts as detailed in the table above.

Delay in receiving tariff subsidy and receivables from State Grid

With reference to the Renewable Energy Law, on-grid tariffs of renewable energy power generation projects shall be determined by a competent pricing department of the State Council of the PRC taking into account various factors and in accordance with the principle of promoting the development and utilisation of renewable energy, with timely adjustments made based on the development of technology utilisation. Under the Renewable Energy Law, the higher costs incurred for purchasing electricity generated by renewable energy as compared to costs calculated on the basis of the average on-grid tariff for electricity generated by conventional energy sources shall be compensated by the amount collected by way of a renewable energy tariff imposed on the sale of electricity nationwide. In August 2013, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) issued the price reform (Reform [2013] No. 1638) which stipulated that where the benchmark grid price of solar power plant is higher than that of the local coal-fired unit benchmark price, renewable energy development fund (the "**Renewable Energy Development Fund**") shall be used to subsidise enterprises by the difference between the benchmarked prices.

Due to limited sources of income of the Renewable Energy Development Fund, limited tariff subsidies have been released from the Renewable Energy Development Fund for renewable energy projects over the past three years. As at the date of this announcement, the Company has collected the subsidies for and until around April 2018, with an amount of RMB1,007 million in aggregate which the subsidies in relation to the 2019 Disposal, the 2020 Disposal and the 2021 Disposal are not inclusive; 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 August 2021, the Company has a subsidy receivable of approximately RMB1,565 million and receivables on accrued revenue on tariff subsidies from the State Grid of approximately RMB1,484 million at 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, the 2020 Disposal and the Lattice Power Disposal having been completed, and the circular in relation to the 2021 Disposal expecting to be despatched on or before 29 October 2021, 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. After negotiating with various potential buyers, the Group decided to enter into the Sale and Purchase Agreements with the Purchaser, who offered relatively more favourable terms to the Group in relation to the offer price and payment schedule. After evaluating the credibility of the Purchaser, the availability of immediate cash flow and the business trend of the solar power generation industry in the PRC, the Board considers that the terms under the Sale and Purchase Agreements are fair and reasonable, and in particular the Disposals will generate an immediate cash inflow of approximately RMB414.7 million to the Group, which would help the Group repay its debts that are due or will become due and reduce the Group's finance costs according to the use of proceeds in the section headed "Use of Proceeds" below.

Confirmation of the Board

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

FINANCIAL EFFECTS OF THE DISPOSALS

Assuming Completion had occurred on 31 December 2020 and for an illustrative purpose, the Directors assessed that an unaudited loss from the Disposals of approximately RMB69.0 million will be recognised. The loss of approximately RMB69.0 million from the Disposals is calculated based on the aggregate Equity Consideration (approximately RMB170.0 million), minus the adjusted carrying amount of the net assets of the Target Companies (approximately RMB236.5 million) and the relevant fees incurred from the Disposals, including but not limited to the professional fees and administrative fees (approximately RMB2.5 million).

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

USE OF PROCEEDS

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

(1) RMB364.7 million to be used for the repayment of debts; and

(2) RMB50.0 million to be used for working capital of the Group.

INFORMATION ON THE TARGET COMPANIES

Further details of the Target Companies

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

	Name of Target Company	Principal business	Projects involved	Grid-connected	Principal place of business	Equity interest held by the Group	Capacity (in megawatt)	Volume of electricity generated (in megawatt hour)
1.	Hebei Sanlong	Solar power generation and sale of electricity	1	Yes	Hebei	100%	49	69,101
2.	Shangyi County Shunneng	Solar power generation and sale of electricity	1	Yes	Hebei	100%	44	61,566
						Total	93	130,667

The aggregate capacity and volume of electricity generated for the year ended 31 December 2020 by the solar power plants which are the subject of the Disposals represent 16.2% and 19.2% of the aggregate capacity and volume of electricity generated for the year ended 31 December 2020 by the solar power plants of the Group (excluding the solar power plants in relation to the 2021 Disposals).

Financial information of Target Companies

The financial information of the Target Companies according to the audited financial statements of the Target Companies for the two years ended 31 December 2019 and 2020 prepared in accordance with the generally accepted accounting principles in the PRC is as follows:

	For the year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
	(audited)	(audited)
Hebei Sanlong		
Total asset value	499,400	545,027
Net asset value	64,360	77,989
Total revenue	55,417	62,105
Net profit/(loss) before taxation	15,918	15,083
Net profit/(loss) after taxation	15,302	13,628
Shangyi County Shunneng		
Total asset value	556,917	569,647
Net asset value	11,128	13,461
Total revenue	48,854	48,992
Net profit/(loss) before taxation	1,072	2,333
Net profit/(loss) after taxation	1,072	2,333

As at the date of this announcement, the entire equity interest in each of the Target Companies is held by the Group. Upon Completion, each Target Company will cease to be a subsidiary of the Company and the financial positions and results of the Target Companies as listed above will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE PARTIES

Information on the Group

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

The table below sets out the name, location, capacity, operational information and financial information of the remaining solar power plants of the Group after the Completion.

				For the year ended 31 December 2020			
No.	Name of project	Location	Capacity	Volume of electricity generated	Revenue*	Profit/(loss)*	Net asset/ (liability) as at 31 December 2020*
			(in megawatt)	*(in megawatt hour)*	*(in RMB '000)*	*(in RMB '000)*	*(in RMB '000)*
1	Qinghai Shangde	Qinghai	10	12,268	10,617	1,145	45,515
2	Qinghai Hainan	Qinghai	20	26,363	19,971	(3,844)	23,566
3	Zhengxin Bazhou	Xinjiang	21	25,038	19,233	4,565	31,511
4	Hairun Bozhou	Xinjiang	21	27,712	21,041	7,755	67,217
5	Xin'ao Bazhou	Xinjiang	20	26,587	20,617	4,208	86,724
6	Tumu Shuke	Xinjiang	21	20,937	16,518	5,368	64,148
7	Tianhong Yangguang	Xinjiang	31	36,753	28,431	12,117	132,500
8	Hairun Dianli	Xinjiang	21	30,136	22,591	5,185	47,971
9	Junxin Bazhou	Xinjiang	20	26,741	20,698	9,352	74,695
10	Tongwei Bazhou	Xinjiang	21	28,325	20,573	2,514	57,368
11	Tianli Enze	Xinjiang	22	31,196	21,805	3,353	44,630
12	Xinjiang Puxin, Phase I	Xinjiang	30	36,143			
13	Xinjiang Puxin, Phase II	Xinjiang	19	22,206	12,042	8,165	112,796
14	Xinjiang Puxin, Phase III	Xinjiang	20	21,491			
15	Hebei Sulong	Hebei	20	29,458	23,940	3,283	53,424
16	Hebei Yangyuan	Hebei	50	62,483	37,706	(6,515)	(149,806)
17	Jiangsu Shunyang	Jiangsu	7	7,212	7,477	1,340	120,401
18	Tibet Shannan	Tibet	10	9,627	8,425	490	44,287
19	Quzhou Lvse	Zhejiang	26	20,451	19,415	(2,801)	13,545
20	Hunan Saiwei	Hunan	15	4,747	1,752	(29,298)	(4,187)
21	Jiangsu Suqian	Jiangsu	4	2,534	2,110	(8,120)	33,874
22	Jiangsu Zhenjiang	Jiangsu	5	5,155	4,211	289	2,916
23	Jiangsu Wuxi	Jiangsu	4	2,724	2,703	(114)	(318)
24	Lianyun Ganghe	Jiangsu	5	5,462	3,908	(5,263)	10,873
25	Jiangsu Taixing	Jiangsu	5	4,969	4,189	(16,309)	1,547
26	Shandong Linyi	Shandong	10	6,286	5,195	(6,159)	(4,869)
27	Shandong Zhucheng	Shandong	16	14,979	12,548	(675)	238
28	Zhejiang Shaoxing	Zhejiang	6	3,421	3,427	(4,287)	(2,804)
Total			**480**	**551,404**	**371,143**	**(14,256)**	**682,170**

**Note:* The financial information is based on the Company's 2020 annual report, which has taken the consolidation adjustments into account, including but not limited to the impairment amount and the capitalisation interest expenses of the solar power plants if applicable.

Information on the Vendors

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

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

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

Financial information of the Vendors

The unaudited financial information of the Vendors for the year ended 31 December 2020 in accordance with the generally accepted accounting principles in the PRC is as follows:

	For the year ended 31 December 2020 *RMB'000* (unaudited)
Jiangsu Sanfeng	
Total asset value	9,689
Net asset value	9,687
Total revenue	—
Net profit/(loss) before taxation	(0.2)
Net profit/(loss) after taxation	(0.2)
Shijiazhuang Huaiyuan	
Total asset value	6,903
Net asset value	492
Total revenue	—
Net profit/(loss) before taxation	(1.7)
Net profit/(loss) after taxation	(1.7)
Hebei Zhenlong	
Total asset value	2,031
Net asset value	1,993
Total revenue	—
Net profit/(loss) before taxation	(2)
Net profit/(loss) after taxation	(2)

Information on the Purchaser

The Purchaser is a company incorporated under the laws of the PRC with limited liability. It is a wholly-owned subsidiary of China National Nuclear Power Co., Ltd* (中國核能電力股份有限公司), which is listed on the Shanghai Stock Exchange (stock code:

601985) and 64.11% owned by China National Nuclear Corporation* (中國核工業集團有限公司) which is in turn 100% owned by the State-owned Asset Supervision and Administration Commission of the State Council of the PRC.

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

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

LISTING RULES IMPLICATIONS

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

EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposals contemplated thereunder.

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

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Disposals and (ii) the notice of the EGM, is expected to be despatched to the Shareholders on or before 31 October 2021 as more time is required to prepare the information to be disclosed in the circular.

GENERAL

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

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 27 September 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 7 October 2021.

DEFINITIONS

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

"2019 Disposal Purchase"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2019 Disposal" in this announcement
"2019 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2019 Disposal" in this announcement
"2020 Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2020 Disposal" in this announcement
"2020 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2020 Disposal" in this announcement
"2021 Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2021 Disposal" in this announcement
"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 and beneficially owned by Mr. Cheng Kin Ming, a substantial shareholder (as defined under the Listing Rules) of the Company
"Board"	the board of Directors
"Business Day"	statutory working days in the PRC, excluding Saturdays, Sundays and statutory holidays

"Business Enterprise Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreements — Basis of Equity Consideration" in this announcement
"Closing Audit"	the closing audit to be conducted by an audit firm engaged by the Purchaser on the Target Companies, which shall commence within 10 Business Days after the Completion Date and be completed within 20 Business Days
"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 Sale and Purchase Agreements, including the completion of the registration of the transfer of the Target Equity Interests in the name of the Purchaser and the handover of documents and stamps of the Target Companies in accordance with the terms and conditions of the Sale and Purchase Agreements
"Completion Date"	the date of Completion
"Condition"	the condition specified under the Sale and Purchase Agreements as set out in the section headed "Sale and Purchase Agreements — Condition" in this announcement
"Consideration"	the consideration payable in cash by the Purchaser to the Vendors for the Disposals under the terms of the Sale and Purchase Agreements as set out in the section headed "Sale and Purchase Agreements — Consideration and payment" in this announcement
"Directors"	the directors of the Company
"Disposal(s)"	the disposal of the Target Companies by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreements
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposals contemplated thereunder
"Equity Consideration"	the base consideration payable by the Purchaser to the relevant Vendor(s) for the transfer of the Target Equity Interests

"Estimated Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreements — Basis of Equity Consideration" in this announcement
"Group"	the Company and its subsidiaries
"Hebei Sanlong"	Hebei Sanlong Electricity Technology Co. Ltd.* (河北三龍電力科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Hebei Sanlong SPA"	the sale and purchase agreement dated 24 September 2021 entered into between Jiangsu Sanfeng, Shijiazhuang Huaiyuan and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Hebei Sanlong
"Hebei Zhenlong"	Hebei Zhenlong Electricity Equipment Technology Co., Ltd* (河北臻龍電力設備科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jiangsu Sanfeng"	Jiangsu Sanfeng Guanghua Investment Co., Ltd.* (江蘇三豐光華投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Jiangxi Shunfeng"	Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Kangfu Leasing"	China Kangfu International Leasing Corporation* (中國康富國際租賃股份有限公司), a company incorporated under the laws of the PRC
"Lattice Power Disposal"	the previous major disposal of Lattice Power (Jiangxi) Co., Ltd by Lattice Power Corporation pursuant to a sale and purchase agreement dated 31 December 2020, details of which were disclosed in the Company's announcement dated 31 December 2020
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MW"	megawatt, which equals 1,000,000 watts

"Payables to Shareholders"	the shareholder loan owed by the Target Companies to the relevant Vendor(s) which shall be payable by the Target Companies to the relevant Vendor(s) after Completion
"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
"PRC"	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Previously Proposed Subscription"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals" in this announcement
"Profit Forecast"	has the meaning ascribed to it in the section headed "Valuation" in this announcement
"Purchaser"	Zhonghe Huineng Co., Ltd.* (中核匯能有限公司), a company incorporated under the laws of the PRC with limited liability
"Renewable Energy Development Fund"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — Delay in receiving tariff subsidy and receivables from State Grid" in this announcement
"Renewable Energy Law"	the Renewable Energy Law of the PRC (中華人民共和國可再生能源法) (promulgated on 28 February 2005 and implemented on 1 January 2006), which outlines a regulatory framework to promote the development and utilisation of renewable energy and eventually achieve sustainable development in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement(s)"	collectively, Hebei Sanlong SPA and Shangyi County Shunneng SPA, and each a "Sale and Purchase Agreement"
"Shanghai Shunneng"	Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

"Shangyi County Shunneng"	Shangyi County Shunneng Photovoltaic Electricity Co., Ltd.* (尚義縣順能光伏電力有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Shangyi County Shunneng SPA"	the sale and purchase agreement dated 24 September 2021 entered into between Hebei Zhenlong and the Purchaser in relation to the sale and purchase of the 100% of the equity interest in Shangyi County Shunneng
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shijiazhuang Huaiyuan"	Shijiazhuang Huaiyuan New Energy Development Company Limited* (石家莊懷遠新能源開發有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Holdings"	Shunfeng Photovoltaic Holdings Limited* (順風光電控股有限公司), a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Investments"	Shunfeng Photovoltaic Investments (China) Company Limited* (順風光電投資(中國)有限公司), 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
"Target Companies"	the target companies whose equity interests are to be transferred pursuant to the Sale and Purchase Agreements, being Hebei Sanlong and Shangyi County Shunneng, and each a "Target Company"
"Target Equity Interests"	the equity interests in the Target Companies as set out in the section headed "Sale and Purchase Agreements — Summary of Sale and Purchase Agreements" in this announcement

"Third CB"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposals — 2018 Disposal" in this announcement
"Transfer Date"	the date that the registration of the transfer of Target Equity Interests is completed
"Valuation"	has the meaning ascribed to it in the section headed "Valuation" in this announcement
"Valuation Reference Date"	the date for the valuation of shareholders' equity of the Target Companies, which is 31 December 2020
"Valuation Report"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreements — Basis of Equity Consideration" in this announcement
"Valuer"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendors"	the vendors of the equity interests under the Sale and Purchase Agreements, namely Hebei Zhenlong, Jiangsu Sanfeng, and Shijiazhuang Huaiyuan (as the case may be)

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

Hong Kong, 6 October 2021

As at the date of this announcement, the executive Directors are Mr. Wang Yu, Mr. Zhang Fubo, Mr. Lu Bin and Mr. Chen Shi; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.

* *For identification purpose only*

6 October 2021

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

Dear Sirs,

We refer to the announcement of the Company dated 6 October 2021 (the "**Announcement**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation report dated 21 September 2021 (the "**Valuation Report**") issued by AVISTA Valuation Advisory Limited (the "**Valuer**") regarding the Business Enterprise Value of the Target Companies as at 31 December 2020, which constitutes a profit forecast (the "**Profit Forecast**") as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation Report has been prepared, and reviewed the Valuation Report for which the Valuer is responsible. We have also considered the letter dated 6 October 2021 from BDO Limited regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, has properly complied with the bases and assumptions as set out in the Valuation Report.

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

Yours faithfully,
For and on behalf of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman

INDEPENDENT ASSURANCE REPORT ON THE ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE TARGET COMPANIES (AS DEFINED BELOW)

To the Board of Directors of Shunfeng International Clean Energy Limited

We refer to the discounted future cash flows on which the valuation ("**Valuation**") dated 21 September 2021 prepared by AVISTA Valuation Advisory Limited with respect to the valuation of the business enterprise value of (i) Hebei Sanlong Electricity Technology Co. Ltd.* (河北三龍電力科技有限公司) and (ii) Shangyi County Shunneng Photovoltaic Electricity Co., Ltd.* (尚義縣順能光伏電力有限公司) (collectively referred to as the "**Target Companies**") as at 31 December 2020 is based. The Valuation is prepared based in part on discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Cash Flows

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants' Responsibility

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations is concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations is concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without modifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Companies or an expression of an audit or review opinion on the Valuation.

The preparation of the discounted future estimated cash flows on which the Valuation is based does not involve the adoption of accounting policies. The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other party in respect of, arising out of or in connection with our work.

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

Yours faithfully

BDO Limited
Certified Public Accountants
Hong Kong, 6 October 2021