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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

INSIDE INFORMATION FORCED SALE OF ASSETS

FORCED SALE OF ASSETS

This announcement is made by Shunfeng International Clean Energy Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

Reference is made to the announcements of the Company dated 17 December 2015 (the “**Transaction Announcement**”), 21 June 2016 (“**Termination Announcement**”) and 24 August 2021. Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those defined in the Transaction Announcement.

As disclosed in the Transaction Announcement, the Seller and Shanghai Shunneng (both being an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Sale and Purchase Framework Agreement in relation to the Proposed Disposal on 16 December 2015. As disclosed in the Termination Announcement, the Proposed Disposal had not been completed as certain conditions of the Proposed Disposal had not been fulfilled, and the Company, the Seller, Shanghai Shunneng, the Purchaser and the Target Company, among others, entered into a termination agreement on 21 June 2016 (the “**Termination Agreement**”) to terminate the Sale and Purchase Framework Agreement and its related agreements with immediate effect. Pursuant to the Termination Agreement, the Seller shall return to the Purchaser RMB650,000,000 plus a sum of money calculated with reference to the formula set out in the Termination Agreement (together, the “**Return Amount**”) within one year after the Termination Agreement becoming effective. As the Seller transferred 100% of the equity interest of the Target Company (being the holding company of the nine Target Subsidiaries) to the Purchaser on 18 December 2015, the Purchaser shall transfer such equity interest back to the Seller upon full payment by the Seller of the Return Amount. As at the date of this announcement, the outstanding amount of the Return Amount is RMB33.5 million.

On 5 December 2015, the Seller (as the borrower) and Chongqing International Trust Inc.* (重慶國際信託股份有限公司) (“**Chongqing Trust**”, a fellow subsidiary of the Purchaser, as the lender) entered into a facility agreement with the maximum loan amount of RMB1.5 billion (the “**Facility Agreement**”). On 21 June 2016, the Target Company signed a guarantee agreement with Chongqing Trust which guaranteed the performance by the Seller of its obligation under the Facility Agreement (the “**Guarantee Agreement**”). The Seller made the first drawdown of RMB700 million on 16 December 2015 (the “**First Drawdown**”). Among the proceeds of the First Drawdown, RMB294.2 million was used for repayment of the outstanding liabilities owed by the nine Target Subsidiaries to the Seller, certain financial institutions and the contractors; RMB400 million was used for the partial repayment of the Return Amount; and the remaining RMB5.8 million was used as the working capital of the Seller. The Seller repaid RMB200 million to Chongqing Trust on 21 December 2015. The Seller made the second drawdown of RMB750 million on 29 September 2017 and part of the proceeds were used to repay RMB500 million as the outstanding principal of the First Drawdown and the relevant interests.

On 25 September 2017, the Purchaser, the Target Company, Shanghai Shunneng and Chongqing Trust entered into, among others, seven share pledge agreements (the “**Pledge Agreements**”) pursuant to which 100% of equity interests of the Target Company and five out of the nine Target Subsidiaries (namely Hejing Tianhong Solar Energy Technology Co., Ltd.* (和靜天宏陽光太陽能科技有限公司), Jinghe County Hairun PV Power Co., Ltd.* (精河縣海潤光伏發電有限公司), Yuli County Jiangyin Jun Xin PV Power Co., Ltd.* (尉犁縣江陰浚鑫光伏發電有限公司), Turpan City Hai Xin PV Power Co., Ltd.* (吐魯番市海鑫光伏發電有限公司) and Tumxuk Hidenobu New Energy Co., Ltd.* (圖木舒克市榮信新能源有限公司)) were pledged to Chongqing Trust as security for the performance of the Seller’s obligations under the Facility Agreement. As disclosed in the announcement of the Company dated 24 August 2021, the loan borrowed under the Facility Agreement became overdue on 30 September 2020 and the Company was seeking further extension date. As at the date of this announcement, the outstanding principal of the loan owed by the Seller to Chongqing Trust under the Facility Agreement is approximately RMB666 million.

The Board wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, on 1 December 2021 (after trading hours), the Seller received notices from Chongqing Trust and the Purchaser that, pursuant to the Guarantee Agreement and the Pledge Agreements, they directed the Target Company to sell 100% of the equity interests of the nine Target Subsidiaries to Xinjiang Silu Qianyuan Energy Co., Ltd.* (新疆絲路乾元能源有限責任公司) (the “**Buyer**”, a company established in the People’s Republic of China) at a consideration of approximately RMB1.11 billion (including equity consideration of approximately RMB424 million and payables to shareholders of approximately RMB686 million) (the “**Forced Sale**”). The consideration of the Forced Sale is expected to have a surplus of approximately RMB356 million compared to the aggregate amount of outstanding liabilities owed by the Group to Chongqing Trust and the Purchaser, subject to the adjustment upon completion of the Forced Sale. The Purchaser undertakes to transfer 100% of the equity interest in the Target Company back to the Seller after all the outstanding debts owed by the Group to Chongqing Trust and the Purchaser having been repaid. To the best knowledge of the Directors having made reasonable enquiry, each of the Buyer and its ultimate beneficial owners is independent of the Company and its connected persons.

FINANCIAL IMPACT TO THE GROUP

Since the aggregate net book value (before impairment) of the nine Target Subsidiaries amounted to approximately RMB651 million as at 30 June 2021, it is estimated that the Group will record a loss of RMB227 million from the Forced Sale (based on the equity consideration of approximately RMB424 million), which is subject to the final audit to be performed by the auditors of the Company. The Forced Sale will reduce the bank loan and other borrowings of RMB989.9 million of the Group and the overdue debts owed by the Group to Chongqing Trust and the Purchaser will be fully repaid. The Directors are of the view that the amount of equity consideration of the Forced Sale reflects the current market condition in the photovoltaic industry and the finance costs of the Group will reduce significantly after the Forced Sale.

The nine Target Subsidiaries operated 9 photovoltaic power plants of the Group with an aggregate capacity of 180 MW and contributed approximately 27.6% to the Company's volume of electricity generated for the six months ended 30 June 2021.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 1 December 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*