THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shunfeng International Clean Energy Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

SFCE

順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EGM

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 33 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 Friday, 25 November 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 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.

26 October 2022

CONTENTS

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

"2018 Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2018 Disposal" in this circular
"2019 Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2019 Disposal" in this circular
"2019 Disposal Purchaser"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2019 Disposal" in this circular
"2019 Sale and Purchase Agreements"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2019 Disposal" in this circular
"2019 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2019 Disposal" in this circular
"2020 Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2020 Disposal" in this circular
"2020 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2020 Disposal" in this circular
"2021 First Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2021 First Disposal" in this circular
"2021 First Disposal Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2021 First Disposal" in this circular
"2021 Second Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2021 Second Disposal" in this circular
"2021 Third Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2021 Third Disposal" in this circular
"2022 First Proposed Disposal"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2022 First Proposed Disposal" in this circular

"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, a substantial shareholder (as defined under the Listing Rules) of the Company
"BDO"	BDO Limited, the former reporting accountant of the Company from 30 July 2020 to 18 July 2022
"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 Agreement — Basis of the Consideration" in this circular
"Company"	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Sale and Purchase Agreement, including the completion of the registration of the transfer of the Target Equity Interest in the name of the Purchaser and the handover of documents and stamps of the Target Group in accordance with the terms and conditions of the Sale and Purchase Agreement
"Conditions"	the condition specified under the Sale and Purchase Agreement as set out in the section headed "Sale and Purchase Agreement — Conditions" in this circular
"Consideration"	the Set-off of and the Waiver under the terms of the Sale and Purchase Agreement
"Directors"	the directors of the Company
"Disposal"	the disposal of the Target Equity Interest pursuant to the Sale and Purchase Agreement
"Disposal Announcement"	the announcement of the Company dated 4 July 2022 in relation to the Disposal

"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 Agreement and the Disposal contemplated thereunder
"Estimated Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of the Consideration" in this circular
"Forced Sale"	has the meaning ascribed to it in the section headed "Information on the Parties — Information on the Group" in this circular
"Fourth CB"	the convertible bonds issued by the Company at par to independent third parties with aggregate principal amount of HK$2,137,230,000 (equivalent to RMB1,696,214,000 as calculated using predetermined fixed rate of exchange of RMB1.00 to HK$1.26) on 16 June 2014
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Holding Company"	the newly established holding company in Hong Kong which will directly hold 100% equity interest in Xinjiang Pu Xin Cheng Da to be transferred from Jiangxi Shunfeng
"Independent Third Party"	a person who is not a connected person under Chapter 14A of the Listing Rules
"Internal Reorganisation"	has the meaning ascribed to it in the section headed "Internal Reorganisation" in this circular
"Jiangsu Shunfeng"	Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司), a company incorporated under the laws of the PRC
"Jiangxi Shunfeng"	Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

"Latest Practicable Date"	20 October 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Lattice Power"	Lattice Power Corporation (晶能光電有限公司*), an indirect non-wholly owned subsidiary of the Company
"Lattice Power Disposal"	the previous major disposal of Lattice Power (Jiangxi) Co., Ltd by Lattice Power 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
"Loan Agreements"	collectively means (i) the original loan agreement entered between the Purchaser and the Vendor dated 20 December 2016; (ii) the first supplementary agreement to the original loan agreement entered between the Purchaser and the Vendor dated 28 June 2019; (iii) the second supplementary agreement to the original loan agreement entered between the Purchaser, the Vendor and Asia Pacific Resources dated 4 October 2019; and (iv) the third supplementary agreement entered between the Purchaser, the Vendor and Asia Pacific Resources dated 23 December 2021
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Cheng"	Mr. Cheng Kin Ming, a substantial shareholder (as defined under the Listing Rules) of the Company
"MW"	megawatt, which equals 1,000,000 watts
"Peace Link"	Peace Link Services Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and beneficially owned by Mr. Cheng
"percentage ratio"	has the meaning ascribed to it under the Listing Rules

"Post Disposal Remaining Group"	the Company and its subsidiaries after Completion assuming that the Disposal and other disposals in respect of which definitive sale and purchase agreements were entered into in respect of businesses of the Group that have not reached completion have 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)
"Previously Proposed Subscription"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal" in this circular
"Profit Forecast"	has the meaning ascribed to it in the section headed "Valuation" in this circular
"Purchaser"	Sino Alliance Capital Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability
"Qianhai Dongfang"	Shenzhen Qianhai Dongfang Venture Financial Holding Limited* (深圳前海東方創業金融控股有限公司), a company incorporated under the laws of the PRC
"Remaining Business"	the business of the Post Disposal Remaining Group immediately after the Disposal, which comprises the PRC Power Generation Business
"Remaining Group"	the Company and its subsidiaries after Completion
"Renewable Energy Development Fund"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — Delay in receiving tariff subsidy and receivables from State Grid" in this circular
"Renewable Energy Law"	the Renewable Energy Law of the PRC (中華人民共和國可再生能源法) (promulgated on 28 February 2005 and implemented on 1 January 2006), which outlines a regulatory framework to promote the development and utilisation of renewable energy and eventually achieve sustainable development in the PRC
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the sale and purchase agreement dated 29 June 2022 entered into between the Vendor and the Purchaser in relation to the sale and purchase of 100% of the equity interest in Xinjiang Pu Xin Cheng Da
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Shunneng"	Shanghai Shunneng Investment Co., Ltd.*（上海順能投資有限公司）, a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shunfeng Photovoltaic Holdings"	the Vendor, or 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 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 Facility"	the HK$2,500 million facility provided by the Purchaser to the Group pursuant to a loan agreement in December 2016
"State Grid"	State Grid Corporation of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	the entity incorporated in the British Virgin Islands on 29 September 2022, whose equity interest is to be transferred to the Purchaser pursuant to the Sale and Purchase Agreement and will hold 100% equity interest in Xinjiang Pu Xin Cheng Da through the Hong Kong Holding Company
"Target Equity Interest"	100% equity interest in the Target which will be transferred to the Purchaser on the Transfer Date pursuant to the Sale and Purchase Agreement

"Target Group"	collectively, the Target, the Hong Kong Holding Company and Xinjiang Pu Xin Cheng Da
"Third CB"	has the meaning ascribed to it in the section headed "Reasons for and benefits of the Disposal — 2018 Disposal" in this circular
"Transfer Date"	the date that the registration of the transfer of the Target Equity Interest is completed
"Valuation"	has the meaning ascribed to it in the section headed "Valuation" in this circular
"Valuation Reference Date"	the date for the valuation of shareholders' equity of Xinjiang Pu Xin Cheng Da, which is 31 December 2021
"Valuation Report"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of the Consideration" in this circular
"Valuer"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendor"	the vendor of the Target Equity Interest under the Sale and Purchase Agreement, namely Shunfeng Photovoltaic Investments, a wholly-owned subsidiary of the Company
"Waiver"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Consideration" in this circular
"Warrantors"	collectively, the Vendor, Shunfeng Photovoltaic Investments, Jiangxi Shunfeng and Xinjiang Pu Xin Cheng Da
"Xinjiang Pu Xin Cheng Da"	Xinjiang Pu Xin Cheng Da Energy Technology Limited* (新疆普新誠達能源科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"%"	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 RMB0.8779. 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

26 October 2022

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

Reference is made to the Disposal Announcement, in which it was announced that on 29 June 2022, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, representing 100% of the equity interests in the Target, at an aggregate Consideration of approximately RMB664.3 million, which is equivalent to approximately HK$777.5 million. Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company have made certain undertakings, representations and warranties (as the case may be) in the Sale and Purchase Agreement.

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

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

(ii) the financial and other information on the Group and Xinjiang Pu Xin Cheng Da;

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

(iv) the notice of the EGM.

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

SALE AND PURCHASE AGREEMENT

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

Date: 29 June 2022

Parties:
(i) the Vendor
(ii) the Purchaser
(iii) Xinjiang Pu Xin Cheng Da
(iv) Jiangxi Shunfeng
(v) Shunfeng Photovoltaic Investments
(vi) the Company

Internal Reorganisation: Under the Sale and Purchase Agreement, the Vendor will conduct an internal reorganisation prior to the transfer of the Target Equity Interest.

The Vendor has agreed to incorporate the Target as a wholly owned subsidiary in the British Virgin Islands and procure that the Target shall establish the Hong Kong Holding Company as a wholly owned subsidiary in Hong Kong before the Transfer Date.

Further, the Vendor has agreed to procure Jiangxi Shunfeng to transfer 100% equity interest in Xinjiang Pu Xin Cheng Da to the Hong Kong Holding Company before the Transfer Date (collectively, the "**Internal Reorganisation**").

Consideration: The aggregate Consideration payable by the Purchaser is approximately RMB664.3 million, which is equivalent to approximately HK$777.5 million, including the following:

(a) the purchase price of the Target Equity Interest is RMB527,952,900, which is equivalent to HK$622,556,601 based on the RMB/HK$ exchange rate agreed by the parties before execution of the Sale and Purchase Agreement. The purchase price will be settled by setting off the same amount of outstanding principal of debts owed by the Vendor to the Purchaser under the Loan Agreements on the Transfer Date (the "**Set-off**"); and

(b) the Purchaser has agreed to waive the remaining outstanding principal and interest owed by the Vendor to the Purchaser under the Loan Agreements at the Completion (the "**Waiver**"). As at the date of the Sale and Purchase Agreement, the remaining outstanding principal and interest owed by the Vendor to the Purchaser are HK$38,443,399 and HK$116,509,054, respectively, and the amounts will be updated at the Transfer Date pursuant to the Loan Agreements.

Basis of the Consideration: The aggregate Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor, which is calculated according to the following formula: Aggregate Consideration = (1) + (2) – (3) + (4), where:

(1) the business enterprise value of Xinjiang Pu Xin Cheng Da as at 31 December 2021 of approximately RMB496.7 million (the "**Business Enterprise Value**") as stated in the valuation report (the "**Valuation Report**") conducted by an independent valuer appointed 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 non-operating assets of Xinjiang Pu Xin Cheng Da of approximately RMB40.4 million which the other receivable from Jiangxi Shunfeng is not inclusive, according to the unaudited financial statements as of 31 December 2021, including but not limited to the value-added tax recoverable and other non-current assets;

(3) the non-operating liabilities of Xinjiang Pu Xin Cheng Da of approximately RMB0.4 million which the other payable to Jiangxi Shunfeng is not inclusive, according to the unaudited financial statements as of 31 December 2021, including but not limited to the other payable;

Having considered the Business Enterprise Value in the Valuation Report (being item (1)) as one of the referencing factors for the determination of the aggregate Consideration, and having further considered the factors in items (2) to (3), the Board estimated that the preliminary consideration for the transfer of the Target Equity Interest as approximately RMB536.7 million (the "**Estimated Value**"); and

(4) upon rounds of arm's length commercial negotiation between the Vendor and the Purchaser, a premium amount of approximately RMB127.6 million over the Estimated Value as agreed between the parties.

The aggregate Consideration payable by the Purchaser, being approximately RMB664.3 million, includes the value of the intra-group loans of approximately RMB623.6 million as of 31 December 2021 owed by Xinjiang Pu Xin Cheng Da to other entities within the Group. After the Set-off and the Waiver becoming effective, the intra-group loans of approximately RMB623.6 million will also be set off.

Conditions: Completion of the Sale and Purchase Agreement is conditional upon:

(a) the transaction documents listed below having been duly signed and become effective (unless the term of any transaction document provides otherwise), and that the Warrantors, the Target and the Hong Kong Holding Company having obtained valid resolutions on the execution of such transaction documents, and all the changes in the charges mentioned in the transaction documents having been duly registered (if required):

(1) the Sale and Purchase Agreement;

(2) the deed of release between the Purchaser and the Company in relation to the Company's guarantees;

(3) the deed of release between the Purchaser and the Company in relation to the release of the charge over the shares in the Vendor;

(4) the deed of release between the Purchaser and the Vendor in relation to the release of the charge over the Vendor's account;

(5) the release agreement between Qianhai Dongfang and Jiangxi Shunfeng in relation to the release of the charge over the equity interest in Xinjiang Pu Xin Cheng Da;

(6) the release agreement between the Purchaser, Jiangxi Shunfeng and the Vendor in relation to the release of the charge over the equity interest in Xinjiang Pu Xin Cheng Da;

(7) the charge agreement between Qianhai Dongfang and Jiangxi Shunfeng in relation to the equity interest in Xinjiang Pu Xin Cheng Da, which shall only be applicable if the Completion has not occurred and Jiangxi Shunfeng has not transferred 100% equity interest in Xinjiang Pu Xin Cheng Da to the Hong Kong Holding Company;

(8) the charge agreement between the Purchaser, Jiangxi Shunfeng and the Vendor in relation to the equity interest in Xinjiang Pu Xin Cheng Da, which shall only be applicable if the Completion has not occurred and Jiangxi Shunfeng has not transferred 100% equity interest in Xinjiang Pu Xin Cheng Da to the Hong Kong Holding Company;

(9) the supplementary agreement to the quadrilateral agreement between the Purchaser, Qianhai Dongfang, Jiangxi Shunfeng and the Vendor in relation to the equity pledge of Xinjiang Pu Xin Cheng Da;

(10) the charge agreement between the Purchaser and the Hong Kong Holding Company in relation to the equity interest in Xinjiang Pu Xin Cheng Da, which shall only be applicable if the Completion has not occurred and Jiangxi Shunfeng has not transferred 100% equity interest in Xinjiang Pu Xin Cheng Da to the Hong Kong Holding Company;

(11) the supplementary agreement to the guarantee agreement between the Purchaser, the Vendor and Xinjiang Pu Xin Cheng Da in relation to the guarantee of Xinjiang Pu Xin Cheng Da; and

(12) the deed of release between the Purchaser, the Vendor, Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng and the Company in relation to the Waiver.

(b) the Vendor having duly completed the Internal Reorganisation and providing the relevant documents to the reasonable satisfaction of the Purchaser. The relevant documents include but are not limited to:

(1) the signed Internal Reorganisation equity transfer agreement;

(2) the equity transfer agreement (registration version) signed by Jiangxi Shunfeng, the Hong Kong Holding Company and Xinjiang Pu Xin Cheng Da;

(3) the shareholder resolution evidencing that the shareholder of Jiangxi Shunfeng (i.e. Shunfeng Photovoltaic Investments) has approved the transfer of 100% equity interest in Xinjiang Pu Xin Cheng Da to the Hong Kong Holding Company;

(4) the register of members which has been updated to reflect that the owner of the 100% equity interest in Xinjiang Pu Xin Cheng Da is changed to the Hong Kong Holding Company; and

(5) the industrial and commercial file information which has been updated to reflect that the owner of the 100% equity interest in Xinjiang Pu Xin Cheng Da has been changed to the Hong Kong Holding Company.

(c) the Warrantors having obtained all necessary internal and external approvals and authorisations, including but not limited to board and/or shareholder resolutions and third-party consents, the Company having published the announcement and the circular and obtained approval from the Shareholders as required under the Listing Rules, and having obtained all necessary consents, permits, registrations, applications and filings, and such authorisation, permit, decision or consent remain valid;

(d) the Warrantors have not committed any breach under the transaction documents and the representations and warranties therein remain true, accurate and complete until the Transfer Date;

(e) the Warrantors having completed their respective obligations under the Sale and Purchase Agreement before the Transfer Date;

(f) the Purchaser is reasonably satisfied with the outcome of the due diligence on Xinjiang Pu Xin Cheng Da, and the Purchaser has not discovered any incident which has or may have a material adverse effect on the Disposal;

(g) there has not been any law or administrative order made by any government authorities that will render the Disposal as contemplated by any transaction documents unlawful, or otherwise restricting or prohibiting the Disposal;

(h) no material adverse event related to the business, operation, assets, financials, or other conditions of the Target Group has occurred and it is reasonably expected that no such event would occur after the Audit Report Date;

(i) for the shareholder's loan of RMB539,543,755.92 provided by Jiangxi Shunfeng to Xinjiang Pu Xin Cheng Da which has been disclosed to the Purchaser, Jiangxi Shunfeng has set off, waived or cancelled such shareholder loan in a lawful way and will not pursue the repayment from Xinjiang Pu Xin Cheng Da, whereas Xinjiang Pu Xin Cheng Da shall have no further repayment obligation towards Jiangxi Shunfeng or its affiliates;

(j) all parties (other than the Purchaser) having performed their obligations before the Completion under the Sale and Purchase Agreement; and

(k) the Vendor having issued a certificate of the Completion to the Purchaser, certifying that all the Conditions as set out in the Sale and Purchase Agreement have been satisfied.

Completion: Completion is conditional upon satisfaction of the Conditions as set out in the Sale and Purchase Agreement. The parties to the Sale and Purchase Agreement agree to use their reasonable endeavours to effect the Completion by 31 December 2022.

VALUATION

According to the Valuation Report, the fair value of the Business Enterprise Value of Xinjiang Pu Xin Cheng Da (the "**Valuation**") as at 31 December 2021, prepared on an income approach, amounts to RMB496.7 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 Disposal.

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 Xinjiang Pu Xin Cheng Da is operating;

2. there will be no major changes in the current taxation law in the country that Xinjiang Pu Xin Cheng Da is 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 Xinjiang Pu Xin Cheng Da's operation in accordance with the Profit Forecast;

6. Xinjiang Pu Xin Cheng Da will retain and have competent management, key personnel and technical staff to support their ongoing operation; and

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

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

As disclosed in the Company's announcement dated 18 July 2022, BDO Limited ("**BDO**") resigned as the auditor of the Company with effect from 18 July 2022. The Board has approved the appointment of Zhonghui Anda CPA Limited ("**Zhonghui**") with effect from 18 July 2022 as the new auditor of the Company, to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

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. For the purpose of the Disposal Announcement, BDO had 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 Zhonghui are included in the appendices to this circular for the purpose of Rules 14.62(2) and 14.62(3) of the Listing Rules.

REASONS FOR AND BENEFITS OF THE DISPOSAL

2018 Disposal, Previously Proposed Subscription, 2019 Disposal, 2020 Disposal, the Lattice Power Disposal, 2021 First Disposal, 2021 Second Disposal, 2021 Third Disposal and 2022 First Proposed Disposal

The development of the business of the Group, in particular, the construction of the solar power plants in the PRC, is extremely capital intensive. Whilst the Group operates a substantial level of clean energy businesses, one important factor that has hindered the Group's financial performance has been the high level of finance costs (i.e. interest expenses) associated with its high debt level. With reference to the published reports of the Company, the Group recorded finance costs amounting to RMB1,163.0 million in its 2019 annual report, RMB781.8 million in its 2020 annual report, RMB592.9 million in its 2021 annual report, and RMB218.8 million in its 2022 interim report, respectively. As disclosed in the Company's 2019, 2020 and 2021 annual reports, and the 2022 interim report, the Group was in a negative net cash position of RMB8,563.7 million, RMB6,360.8 million, RMB3,607.2 million and RMB3,228.6 million as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, 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; (vi) the 2021 First Disposal; (vii) the 2021 Second Disposal; (viii) the 2021 Third Disposal; and (ix) the 2022 First Proposed 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 disposal group, which were debts borrowed by the operations of solar power plants in the PRC by the then Group for the purposes of constructing solar power plants, repaying existing loans and interests and supplementing working capital; and

(c) HK$ 1,200 million of the consideration would be satisfied through Asia Pacific Resources taking assignment of a loan in the same amount lent to the Company by Sino Alliance to Asia Pacific Resources.

In relation to (a), the Company has received the consideration of RMB200 million from Asia Pacific Resources, which has been applied to repay debts of approximately RMB24.73 million owed to financial institutions such as Shanghai Dazong Financial Leasing Co., Ltd*（上海大眾融資租賃有限公司）, Cinda Financial Leasing Co., Ltd（信達金融租賃有限公司）and COSCO Shipping Leasing Co., Ltd*（中遠海運租賃有限公司）, repay debt interest of approximately RMB109.58 million, pay a total of approximately RMB65.69 million for construction payable of relevant creditors, operation and maintenance payables and land tax to CNBM Technology Corporation Limited（中建材資訊技術股份有限公司）, Anyi Construction Group Co., Ltd.（安宜建設集團有限公司）, Hebei Surpass Sun Electric Co., Ltd*（河北追日電氣股份有限公司）and IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited*（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 and pursuant to a supplementary agreement between the Company and Asia Pacific Resources on 15 December 2021, the Company and Asia Pacific Resources agreed to extend the payment of the amount of RMB1,745 million to 30 September 2022. Further, on 20 September 2022, the Company and Asia Pacific Resources have entered into another supplementary agreement to extend the remaining consideration to 31 December 2023. As at the Latest Practicable Date, the Company has received RMB777.5 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 RMB967.5 million will be received from Asia Pacific Resources prior to 31 December 2023. 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 31 August 2022, the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group was RMB678 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 Company's circular dated 30 June 2019, Peace Link entered into a legally binding deed of waiver and undertaking in favour of the Company on 24 March 2019, pursuant to which Peace Link agreed to waive the repayment and redemption obligations of the Company in respect of HK$1,948 million out of HK$2,148 million under the Third CB for no consideration. The Company has received a waiver and commitment deed from Peace Link, which waived the repayment and redemption obligation of the Company of HK$ 1,948 million under the Third CB.

Previously Proposed Subscription

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

2019 Disposal

As disclosed in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 2019, each in relation to the 2019 Disposal, on 15 November 2019, Jiangxi Shunfeng, Shanghai Shunneng and Shijiazhuang Yakai 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 (together, the "**2019 Sale and Purchase Agreements**") with Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) (the "**2019 Disposal Purchaser**"), pursuant to which the vendors conditionally agreed to sell, and the 2019 Disposal Purchaser conditionally agreed to purchase, the equity interest in 11 subsidiaries of Group (the "**2019 Subject Companies**"), with total installed capacity of 490MW in their solar power projects with the consideration 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). It is further disclosed in the poll results announcement of the Company dated 17 January 2020 that the ordinary resolution to approve the 2019 Disposal was duly passed by the Shareholders in the extraordinary general meeting on the same date. Registration for share transfer had been completed in respect of all the 2019 Subject Companies in 2020. The total consideration has been adjusted to approximately RMB1,375.9 million upon the completion audit of the 2019 Disposal. The variance of approximately RMB250 million as compared to the sum of approximately RMB1,625.9 million of the consideration, dividends payment and relevant payables pursuant to the circular dated 29 December 2019 was mainly attributed to the adjustment of the repayment of relevant payables reduced of approximately RMB200.7 million and the dividends payment reduced of approximately RMB42.9 million, which were recorded on the date of completion audit. Such reduction amounts have been paid from the 2019 Subject Companies to the relevant vendors before the completion audit.

As at the Latest Practicable Date, the Group has received RMB1,361.3 million from the 2019 Disposal Purchaser, of which approximately RMB263.2 million has been used to repay the Group's outstanding principal amount owed to China Minsheng Banking Corp., Ltd Hong Kong Branch, Sino Alliance and True Bold Global Limited, approximately RMB386.4 million has been used to repay the Group's outstanding principal amount and interest owed to Bondholders A of the Fourth CB, the bondholders of the 2015 Corporate Bond and the bondholders of the 2016 Corporate Bond, China Development Bank, China Merchants Bank, Chongqing International Trust Co., Ltd and other financial institutions, approximately RMB474.9 million has been used to settle engineering and equipment payables, daily operation and maintenance payables and tax payables, and approximately RMB236.8 million has been used to the Group's daily operation fees and professional fees. The Company expects that the remaining amount of RMB14.4 million will be received from the 2019 Disposal Purchaser by January 2023 which will be used to repay the Group's debt owed to True Bold Global Limited and Rainbow Fort Investments Limited, respectively.

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 Latest Practicable Date, the Group has received RMB488.6 million from Zhejiang Zhengtai, of which approximately RMB92.7 million has been used to repay the Group’s outstanding principal amount owed to China Minsheng Banking Corp., Ltd Hong Kong Branch, Sino Alliance and True Bold Global Limited, approximately RMB270.3 million has been used to repay the Group’s outstanding principal amount and interest owed to Bondholders A of the Fourth CB, the bondholders of the 2015 Corporate Bond and the bondholders of the 2016 Corporate Bond, approximately RMB109.2 million has been used to settle engineering and equipment payables, daily operation and maintenance payables and tax payables, and approximately RMB16.4 million has been used to pay the Group’s daily operation fees and professional fees. The Company expects the remaining amount of RMB7.5 million will be received from Zhejiang Zhengtai prior to December 2022 which will be used to repay the Group’s debt owed to True Bold Global Limited.

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, Lattice Power (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 agreed to sell 100% of the equity interest 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 holds 58.3% of equity interest in Lattice Power, the Company will be entitled to approximately RMB390.6 million from the consideration of RMB670 million, of which approximately RMB262.9 million will be used to repay the Group’s debts owed to China Minsheng Banking Corp., Ltd Hong Kong Branch, approximately RMB77.7 million will be used to repay the Group’s debts owed to True Bold Global Limited and Rainbow Fort Investments Limited, and approximately RMB50 million will be used as working capital of the Group. On 18 August 2021, Lattice Power 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 2020. Zhi Ben is 75% owned by Mr. Wang Min (a director of Lattice Power 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, 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 RMB 189.5 million, of which approximately RMB 111.4 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 third payment of approximately RMB 189.5 million was paid to the account of the vendor on 15 November 2021. As at the Latest Practicable Date, the Company has received the full amount consideration of RMB390.6 million from the Lattice Power Disposal New Purchasers, of which approximately RMB334.1 million has been used to repay the outstanding loans owed by the Group to China Minsheng Banking Corp., Ltd Hong Kong Branch and other creditors and approximately RMB56.5 million has been used to the Group's daily operation fees and professional fees.

2021 First 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)(together, the "**2021 First Disposal Subject Companies**"). The Company will be entitled to an aggregate consideration of RMB537.6 million. The 2021 First Disposal was approved by the Shareholders at the extraordinary general meeting on 13 December 2021. As at the Latest Practicable Date, registration for share transfer has been completed in respect of three 2021 First Disposal Subject Companies, being Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd*(麥蓋提金壇正信新能源科技有限公司), 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)and Wushi Longbai Electricity Investment Co., Ltd*(烏什龍柏電力投資有限公司).

As disclosed in the Company's announcement dated 21 September 2022, certain conditions in the remaining four out of the seven 2021 First Disposal Subject Companies, namely Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd, Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd, Kezhou Baishide New Energy Development Co., Ltd and Yingjisha County Rongxin Tianhe New Energy Co., Ltd, have not been satisfied by 21 September 2022, as the purchaser did not receive the approval from the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("**SASAC**"), which governs the affairs of the purchaser, to proceed with the purchase of the four 2021 First Disposal Subject Companies after the SASAC's assessment of the financial indicators of the purchaser. As a result, the vendors and the purchaser of the four 2021 First Disposal Subject Companies entered into termination agreements on 21 September 2022 to terminate the sale and purchase agreements of the four 2021 First Disposal Subject Companies. As at the Latest Practicable Date, the Group has received proceeds of RMB98.9 million from the 2021 First Disposal and expects to receive the remaining proceeds of RMB124.1 million by July 2023.

2021 Second Disposal

As disclosed in the announcement of the Company dated 6 October 2021, Jiangxi Shunfeng, Shijiazhuang Huaiyuan New Energy Development Company Limited*(石家莊懷遠新能源開發有限公司, "**Shijiazhuang Huaiyuan**") and Hebei Zhenlong Electricity Equipment Technology Co., Ltd*(河北臻龍電力設備科技有限公司, "**Hebei Zhenlong**") (as the vendors) entered into two sale and purchase agreements with Zhonghe Huineng Co., Ltd.*(中核匯能有限公司, as the purchaser), pursuant to which the vendors agreed to sell 100% of the equity interest in Hebei Sanlong Electricity Technology Co. Ltd*(河北三龍電力科技有限公司, "**Hebei Sanlong**"), and Shangyi County Shunneng Photovoltaic Electricity Co., Ltd*(尚義縣順能光伏電力有限公司, "**Shangyi County Shunneng**"), with the equity consideration of RMB170 million and payables to shareholders of approximately RMB244.7 million. The Company intends to use the net proceeds of RMB364.7 million for the repayment of debts and RMB50.0 million for working capital of the Group.

The 2021 Second Disposal was approved by the Shareholders at the extraordinary general meeting on 13 January 2022 and the registration for share transfers of the two 2021 Second Disposal Subject Companies were completed in January 2022 and February 2022, respectively. As at the Latest Practicable Date, the Group has received proceeds of RMB298.4 million from the 2021 Second Disposal and expects to receive the remaining proceeds of RMB116.2 million by March 2023.

2021 Third Disposal

As disclosed in the announcement of the Company dated 28 December 2021, Hebei Juge Photovoltaic Technology Co., Ltd*（河北聚格光電科技有限公司, "**Hebei Juge**"), as the vendor entered into a sale and purchase agreement with Anhui Province Wanneng Energy Exchange Co., Ltd*（安徽省皖能能源交易有限公司）, as the purchaser, pursuant to which the vendor agreed to sell 100% of the equity interests in Yangyuan Juge Photovoltaic Technology Co., Ltd*（陽原聚格光電科技有限公司, "**Yangyuan Juge**"), with the equity consideration of RMB13.7 million and payables to shareholder of approximately RMB0.7 million. The Company intends to use the net proceeds of RMB14.4 million for the repayment of debts of the Group. The registration of share transfer of Yangyuan Juge was completed in December 2021. As at the Latest Practicable Date, the Group has received proceeds of RMB15.6 million from the 2021 Third Disposal and expects to receive the remaining proceeds of RMB4 million by January 2023, after having completed the closing audit with an upward adjustment of the payables to shareholders.

2022 First Proposed Disposal

As disclosed in the announcements of the Company dated 3 January 2022, 28 January 2022, 28 February 2022, 31 March 2022, 29 April 2022 and 31 May 2022, Jiangxi Shunfeng, Shanghai Shunneng and the Vendor (as vendors) have entered into four sale and purchase agreements with Xinjiang Silu Qianyuan Energy Co., Ltd.*（新疆絲路乾元能源有限責任公司, as the purchaser) ("**Xinjiang Silu**") pursuant to which the vendors agreed to sell 100% equity interest in Xinjiang Pu Xin Cheng Da, Hainan Xinsheng New Energy Technology Co. Ltd.*（海南州鑫昇新能源科技有限公司）("**Hainan Xinsheng**"), Tongwei Solar Power Qiemo Co., Ltd*（通威太陽能且末有限公司）("**Tongwei Qiemo**") and Xinjiang Tianli Enze Solar Technology Co., Ltd*（新疆天利恩澤太陽能科技有限公司）("**Xinjiang Tianli Enze**"). As disclosed in the announcement of the Company dated 8 June 2022, as there remained conditions which had not been satisfied, the vendors and the purchaser entered into termination agreements on 8 June 2022 to terminate the sale and purchase agreements in relation to the 2022 First Proposed Disposal.

However, although the completion of the 2018 Disposal, the 2019 Disposal, the 2020 Disposal and the Lattice Power 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 (the "**Development Plans**") which comprise, among other things, (i) progressing the collection of the remaining sale proceeds in respect of the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal; (ii) the Disposal; (iii) seeking extension of due dates of the relevant debts and/or alternative refinancing; and (iv) further disposal(s) of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated.

Working capital needs and reducing debt level

The Company has recorded a negative net cash position of RMB8,563.7 million as at 31 December 2019, RMB6,360.8 million as at 31 December 2020, RMB3,607.2 million as at 31 December 2021 and RMB3,228.6 million as at 30 June 2022.

In particular, the Group's negative net cash position of RMB3,228.6 million as at 30 June 2022 included cash and cash equivalents of RMB487.7 million, bank and other borrowings of RMB1,920.8 million, convertible bonds of RMB583.2 million, bonds payable of RMB585.4 million and loan from a related company of RMB626.9 million.

As at the Latest Practicable Date, the Company's major debts falling due on or before 30 June 2022 are set out as follows:

No.	Creditor	Principal Amount in thousands of		Due Date
		HK$	*RMB*	
1	the Purchaser	661,000	–	31 December 2020
2	China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行)	138,200	–	31 March 2022 and 30 June 2022, respectively
3	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")	–	329,909	10 November 2019
4	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")	–	255,463	25 October 2021
5	True Bold Global Limited	162,190	–	27 November 2019 and seeking further extension date
6	Rainbow Fort Investments Limited	262,500	–	31 May 2021, 30 November 2021 and 31 May 2022, respectively, and seeking further extension date
	Total	1,223,890	585,372	

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 Agreement — Consideration and Payment" above, the aggregate Consideration is RMB664.3 million (equivalent to approximately HK$777.5 million), which comprises the Set-off and the Waiver. 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 30 June 2022, the Company intends to (i) engage in further negotiations with the major creditors of the Company including China Minsheng Banking Corp., Ltd Hong Kong Branch and Rainbow Fort Investments Limited for potential extension of the repayment period of certain debts of the Company; and (ii) further dispose of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated. 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 30 June 2022. 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 Company's interim report dated 26 September 2022. As set out in note 1 to the consolidated financial statements in the 2022 interim report, there exist material uncertainties which may cast significant doubt on 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 consolidated financial statements of the Group for the six months ended 30 June 2022 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 2018 Disposal, the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal, the 2021 Third 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 four years. As at the Latest Practicable Date, the Company has collected the subsidies for and until around August 2018, with an amount of RMB893 million in aggregate which the subsidies in relation to the 2019 Disposal, the 2020 Disposal, three companies of the 2021 First Disposal, the 2021 Second Disposal, the Forced Sale and the 2021 Third 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 four years.

As at 31 August 2022, the Company has a subsidy receivable of RMB1,109 million which include the receivables on tariff subsidies from the State Grid of approximately RMB1,037 million. 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 2022, 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.

Furthermore, pursuant to the Central Government Fund Expenditure Budget in 2022 (《2022年中央政府性基金支出預算表》) issued by the Ministry of Finance in the first half of 2022, the budget for other government fund expenditures was significantly increased by approximately 490% to approximately RMB453 billion for the year. The Notice on Carrying out Self-inspection Work on Renewable Energy Power Generation Subsidies (《關於開展可再生能源發電補貼自查工作的通知》) jointly announced by the National Development and Reform Commission, the National Energy Administration and the Ministry of Finance in the first half of 2022, further clarified the scope, timing and procedures of self-inspection of subsidies application for power generation enterprises which were entitled to claim the central government renewable energy subsidies. Such budget and notice show that the government is doing its best to solve the problem of arrears in subsidies for renewable energy power generation projects, which is beneficial to the betterment of the Group's cash flow.

Improvement of financial position

In light of the electricity restriction and delay in receiving tariff subsidies and receivables, it has become generally more difficult for the industry (especially for non-state owned companies) to operate solar power generation business in the PRC. In particular, the solar power projects have been generating less revenue. Coupled with high finance costs, the profitability of the Company has been brought down. Such factors also add fuel to the deteriorating cash flow condition of the Group. The difficulties faced by the Group are not only specific to the Company but are affecting the whole industry. A number of other large- scale solar power generation companies operating in the PRC and listed in Hong Kong also face similar issues and have disposed of their assets with a view to improving their cash flow condition. Subsequent to the lapse of the Previously Proposed Subscription and given the above financing needs, despite the 2018 Disposal, the 2019 Disposal, the 2020 Disposal, the Lattice Power Disposal, the three target companies of the 2021 First Disposal, the 2021 Second Disposal, and the 2021 Third Disposal having been completed, the four target companies of the 2021 First Disposal and the 2022 First Proposed Disposal have been terminated, 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 remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated. The Disposal will reduce the debt level of the Group for HK$661,000,000, which would improve the balance sheet position of the Group.

Confirmation of Board

Based on the above, the Board is of the view that the terms of the Disposal are fair and reasonable, and that the Disposal is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

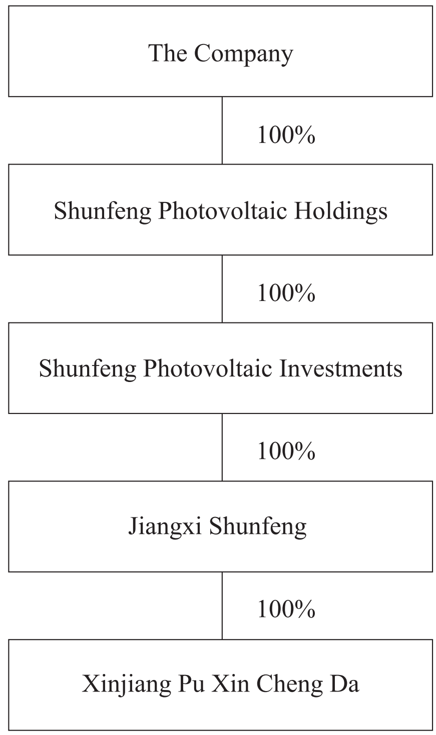
Assuming Completion had occurred on 30 June 2022 and for an illustrative purpose, the Directors assessed that an unaudited profit before taxation from the Disposal of approximately RMB180 million will be recognised. The profit of approximately RMB180 million from the Disposal is calculated based on the aggregate Consideration (approximately RMB664 million), minus (i) the adjusted carrying amount of the net liabilities of Xinjiang Pu Xin Cheng Da (approximately RMB132 million), (ii) the amount of other payables to shareholders of Xinjiang Pu Xin Cheng Da (approximately RMB614 million) and (iii) the relevant fees incurred from the Disposal, including but not limited to the professional fees and administrative fees (approximately RMB2 million). The adjusted carrying amount of the net liabilities of Xinjiang Pu Xin Cheng Da means the net asset value of Xinjiang Pu Xin Cheng Da as of 30 June 2022 from the individual company level, which was calculated after taking into account the consolidation adjustments from the Group level, including but not limited to the capitalisation interest expenses and the impairment amount of solar power plant.

Assuming Completion had taken place on 30 June 2022, it is estimated that the assets and liabilities of the Group will decrease by RMB501 million and RMB681 million, respectively. The above calculation and accounting treatment are subject to changes on the actual Transfer Date.

INFORMATION ON XINJIANG PU XIN CHENG DA

Ownership structure of Xinjiang Pu Xin Cheng Da

The current ownership structure of Xinjiang Pu Xin Cheng Da is set out below:



Further information on Xinjiang Pu Xin Cheng Da

Further details of Xinjiang Pu Xin Cheng Da are set out as follows:

Name	Principal business	Project involved	Grid-connected	Principal place of business	Equity interest held by the Group	Capacity (in megawatt)	Volume of electricity generated in 2021 (in megawatt hour)
Xinjiang Pu Xin Cheng Da	Solar power generation and sale of electricity	Xinjiang Pu Xin Cheng Da 70MW On-Grid Photovoltaic Power Station	Yes	Xinjiang Uygur Autonomous region	100%	Phase 1: 30 Phase 2: 19 Phase 3: 20	77,043

The aggregate capacity and volume of electricity generated for the twelve months ended 31 December 2021 by the solar power plants which is the subject of the Disposal represent 28.2% and 30.1% of the aggregate capacity and volume of electricity generated for the twelve months ended 31 December 2021 by the solar power plants of the Group (excluding the solar power plants in relation to the 2021 First Disposal, the 2021 Second Disposal, the Forced Sale and the 2021 Third Disposal).

Financial information of Xinjiang Pu Xin Cheng Da

The financial information of Xinjiang Pu Xin Cheng Da according to the audited financial statements for the years ended 31 December 2020 and 2021, and the unaudited financial statements for the six months ended 30 June 2022 prepared in accordance with the generally accepted accounting principles in the PRC is as follows:

	For the year ended 31 December		**For the six months ended 30 June**
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Xinjiang Pu Xin Cheng Da			
Total asset value	768,988	732,856	732,996
Net asset value	64,431	40,530	26,922
Total revenue	59,293	59,033	60,670
Net profit/(loss) before taxation	(3,216)	(28,703)	(7,196)
Net profit/(loss) after taxation	(3,998)	(29,363)	(5,739)

As at the Latest Practicable Date, the 100% equity interest in Xinjiang Pu Xin Cheng Da is held by the Group. Upon Completion, Xinjiang Pu Xin Cheng Da will cease to be a subsidiary of the Company and the financial positions and results of Xinjiang Pu Xin Cheng Da will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE PARTIES

Information on the Group

The Group engages one segment of solar power generation in the PRC. 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 (excluding the solar power plants in relation to the Forced Sale, the three target companies of the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal, which have been completed).

No.	Name of project	Location	Capacity	For the twelve months ended 31 December 2021 Volume of electricity generated	Revenue [Note 1]	Profit/(loss) [Note 1]	Net asset/(liability) as at 31 December 2021 [Note 1]
			(in megawatt)	*(in megawatt hour)*	*(in RMB '000)*	*(in RMB '000)*	*(in RMB '000)*
1	Jiangsu Shunyang	Jiangsu	7	7,303	7,756	1,325	122,753
2	Tibet Shannan	Tibet	10	11,848	10,302	3,742	48,047
3	Quzhou Lvse	Zhejiang	26	23,485	21,929	404	14,461
4	Hunan Saiwei	Hunan	15	3,122	1,135	(13,636)	(17,304)
5	Jiangsu Suqian	Jiangsu	4	3,214	2,651	(65)	33,768
6	Jiangsu Zhenjiang	Jiangsu	5	4,187	3,933	(647)	2,213
7	Jiangsu Wuxi	Jiangsu	4	3,126	3,105	577	254
8	Lianyun Ganghe	Jiangsu	5	6,195	4,658	2,443	12,933
9	Jiangsu Taixing	Jiangsu	5	4,630	4,015	1,954	3,510
10	Shandong Linyi	Shandong	10	7,293	5,148	(2,092)	(7,464)
11	Shandong Zhucheng	Shandong	16	15,976	13,838	734	1,010
12	Zhejiang Shaoxing	Zhejiang	6	4,005	3,613	(947)	(3,760)
13	Hainan Xinsheng	Qinghai	20	25,690	21,424	(32,166)	(8,452)
14	Tongwei Qiemo	Xinjiang	21	30,652	23,084	6,733	64,196
15	Xinjiang Tianli Enze	Xinjiang	22	28,211	21,242	(17,696)	26,999
16	Baoshan Changshan	Xinjiang	20	26,375	20,885	(8,473)	8,800
17	Junxin	Xinjiang	20	27,143	20,514	1,200	11,350
18	Kezhou Baishide	Yunnan	50	66,550	48,574	(48,667)	12,980
19	Yingjisha	Xinjiang	40	54,201	42,993	(4,616)	90,740
Total			306	353,206	280,799	(109,893)	416,034

Note 1: The financial information is based on the Company's 2021 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.

As disclosed in the announcement of the Company dated 1 December 2021, Jiangxi Shunfeng received notices from Chongqing International Trust Co., Ltd and Chongqing Future Investment Co., Ltd*(重慶未來投資有限公司) that they directed Jiangsu Changshun Xinhe New Energy Co., Ltd.*(江蘇長順信合新能源有限公司) to sell 100% of the equity interests of its nine subsidiaries, including Hejing Tianhong Solar Energy Technology Co., Ltd.*(和靜天宏陽光太陽能科技有限公司), Hejing Zhengxin Photovoltaic Electronics Co., Ltd.*(和靜正信光伏電子有限公司), Yanqi ENN Solar Energy Co., Ltd.*(焉耆新奧太陽能源有限公司), Jinghe County Hairun PV Power Co., Ltd.*(精河縣海潤光伏發電有限公司), Yuli Jiangyin Jun Xin PV Power Co., Ltd.*(尉犁縣江陰浚鑫光伏發電有限公司), Suntech (Ulan) Solar Power Co., Ltd.*(尚德(烏蘭)太陽能發電有限公司), Turpan City Hai Xin PV Power Co., Ltd.*(吐魯番市海鑫光伏發電有限公司), Hebei Sulong PV Power Co. Ltd.*(河北蘇龍光伏發電有限公司) and Tumxuk Hidenobu New Energy Co., Ltd.*(圖木舒克市榮信新能源有限公司) (the "**Forced Sale**"). The nine subsidiaries operated 9 photovoltaic power plants of the Group with an aggregate capacity of 180MW and contributed approximately 27.6% to the Company's volume of electricity generated for the six months ended 30 June 2021. The registration of share transfer in relation to the 9 companies of Forced Sale has been completed by January 2022. As at the Latest Practicable Date, the Group has received proceeds of RMB217.6 million from the Forced Sale and expects to receive the remaining proceeds of RMB228.0 million by April 2023 by batch payments.

Information on the Vendor

The Vendor is a company incorporated under the law of Hong Kong with limited liability. It is a direct subsidiary wholly and beneficially owned by the Company. The Vendor is principally engaged in investment holding.

Financial information of the Vendor

The audited financial statements of the Vendor for the year ended 31 December 2021 in accordance with the generally accepted accounting principles in Hong Kong is as follows:

	For the twelve months ended 31 December 2021 *RMB'000* (audited)
Shunfeng Photovoltaic Holdings	
Total asset value	1,591,610
Net asset value	(5,377,270)
Total revenue	N/A
Net profit/(loss) before taxation	(1,989,486)
Net profit/(loss) after taxation	(1,989,486)

Information on the Purchaser

The Purchaser is a company incorporated under the laws of British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Orient Asset Management Co., Ltd (中國東方資產管理股份有限公司), which is 71.55% owned by the PRC Ministry of Finance.

The scope of business of the Purchaser includes investments and holdings.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties of the Company and its connected person (as defined under Chapter 14A of the Listing Rules).

In December 2021, Asia Pacific Resources entered into an agreement with the Purchaser and Shunfeng Photovoltaic Holdings, pursuant to which the Purchaser agreed for Shunfeng Photovoltaic Holdings to assign the debt of approximately HK$733 million owed by Shunfeng Photovoltaic Holdings to Asia Pacific Resources. Pursuant to such agreement, Asia Pacific Resources and, among others, the Purchaser entered into a framework agreement, whereby Asia Pacific Resources agreed to settle the debts owed by Shunfeng Photovoltaic Holdings to the Purchaser by selling and transferring its equity interests in one of its wholly-owned subsidiaries to the Purchaser. As such arrangement is conducted on normal commercial terms or better, and is not secured by the assets of the Group, the arrangement satisfies the requirements under Rule 14A.90 of the Listing Rules and is fully exempt from announcement, circular and independent shareholders' approval requirements.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser (i.e. China Orient Asset Management Co., Ltd (中國東方資產管理股份有限公司)) who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

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

Information on Jiangxi Shunfeng

Jiangxi Shunfeng is a company incorporated under the laws of PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Jiangxi Shunfeng is principally engaged in investing in photovoltaic power generation in the PRC. Its scope of business includes investment management, providing services to entities the Company has invested in, establishing technology development centres in the PRC, providing consultation services to its investors and undertaking services outsourcing business.

Information on Shunfeng Photovoltaic Investments

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

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 Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

An EGM will be convened and held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 25 November 2022 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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

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

RECOMMENDATION

The Directors are of the view that the Sale and Purchase Agreement and the Disposal contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Disposal contemplated thereunder.

FURTHER INFORMATION

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

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 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 2019 published on 15 May 2020 (pages 53 to 241)
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501248.pdf

(ii) annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (pages 53 to 225)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900661.pdf

(iii) annual report of the Company for the year ended 31 December 2021 published on 13 May 2022 (pages 47 to 210)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051300651.pdf

(iv) interim report of the Company for the six months ended 30 June 2022 published on 26 September 2022 (pages 17 to 61)
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0926/2022092600295.pdf

II. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2022, 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 31 August 2022, the Group had bank and other borrowings of approximately RMB2,665.8 million (being their principal amounts as at 31 August 2022), of which:

a) bank and other borrowings of approximately RMB804.7 million were secured by certain leasehold land, accrued revenue on tariff subsidy, bank deposits, and/or equity interest in certain subsidiaries of the Group and were all guaranteed by (i) Mr. Cheng, (ii) Mr. Cheng and his spouse or (iii) independent third parties;

b) bank and other borrowings of approximately RMB1,553.8 million were secured by certain leasehold land, property, plant and equipment, accrued revenue on tariff subsidy, and/or equity interest in certain subsidiaries of the Group and unguaranteed;

c) bank and other borrowings of RMB307.3 million were neither secured nor guaranteed.

Bond payables

As at 31 August 2022, the Group had outstanding bond payables with an aggregate principal amount of approximately RMB585.4 million, among which RMB255.5 million is secured by certain deposits placed by the Group and unguaranteed, while the remaining RMB329.9 million is unsecured and guaranteed by Mr. Cheng.

Convertible bonds

As at 31 August 2022, the Group had outstanding unsecured and unguaranteed convertible bonds with an aggregate principal amount of approximately RMB644.5 million.

Lease obligations

As at 31 August 2022, the Group, as a lessee, had outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB16.1 million in aggregate (excluding contingent rental arrangement), among which RMB2.6 million is secured by rental deposits and unguaranteed, while the remaining RMB13.5 million is unsecured and unguaranteed.

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

As at 31 August 2022, the Group had non-trade related amounts due to independent third parties (included in other payables) with an aggregate carrying amount of approximately RMB4.0 million, which were neither secured nor guaranteed.

Amounts due to related parties

As at 31 August 2022, the Group had amounts due to related parties with principal amount of approximately RMB1,288.7 million, which were neither secured nor guaranteed.

Financial guarantee contracts

As at 31 August 2022, the Group had made provision of approximately RMB216.5 million on the financial guarantee in respect of bank borrowings of a joint venture of the Group.

Contingent liabilities

As at 31 August 2022, the Group had no material contingent liabilities outstanding.

General

Save as aforesaid or as otherwise disclosed in this circular, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings, lease obligations or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 31 August 2022.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 31 August 2022.

III. WORKING CAPITAL STATEMENT

In order to reduce the Group's highly indebted position and enhance its liquidity, the Company completed the 2018 Disposal on 30 September 2019 and the Lattice Power Disposal in September 2021.

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, the Purchaser and Asia Pacific Resources, pursuant to which Asia Pacific Resources has assumed the Company's borrowings from the Purchaser 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.

For the Lattice Power Disposal, 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 third payment of approximately RMB189.5 million was paid to the account of the vendor on 15 November 2021. As at the Latest Practicable Date, the entire consideration has been received.

Although the completion of the 2018 Disposal and the Lattice Power Disposal have started reducing the Group's highly indebted position and finance costs, it can only strengthen the Group's liquidity in the long term, and it is insufficient for the Group to meet with its immediate financing needs. Therefore, the Group continues to implement the Development Plan which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the 2019 Disposal, the 2020 Disposal, the three target companies of the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal; (ii) proceeding with the Disposal (iii) proceeding with the possible disposals of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated; and (iv) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the bank and other borrowings which had been overdue or breached certain loan covenants. Details of the Development Plan are set out below.

Progress of collecting proceeds 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, a substantial portion of total consideration has been settled. Management of the Company expects that remaining proceeds from the 2019 Disposal and 2020 Disposal will be received prior to January 2023 and December 2022, respectively.

2021 First Disposal

On 13 August 2021, Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde entered into seven sale and purchase agreements with China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd to dispose of the 100% equity interests in seven subsidiaries at the aggregate consideration of RMB537.6 million.

The 2021 First Disposal was approved by the Shareholders at the extraordinary general meeting on 13 December 2021. As at the Latest Practicable Date, the registration for share transfer has been completed in respect of three subsidiaries.

As disclosed in the Company's announcement dated 21 September 2022, as the conditions in the remaining four out of the seven 2021 First Disposal Subject Companies, namely Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd, Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd, Kezhou Baishide New Energy Development Co., Ltd, and Yingjisha County Rongxin Tianhe New Energy Co., Ltd, have not been satisfied by 21 September 2022, the vendors and the purchaser of the four 2021 First Disposal Subject Companies entered into termination agreements on 21 September 2022 to terminate the sale and purchase agreements of the four 2021 First Disposal Subject Companies. As at the Latest Practicable Date, the Group has received proceeds of RMB98.9 million from the 2021 First Disposal and expects to receive the remaining proceeds of RMB124.1 million by July 2023.

2021 Second Disposal

On 24 September 2021, Jiangxi Shunfeng, Shijiazhuang Huaiyuan and Hebei Zhenlong (as the vendors) entered into two sale and purchase agreements with Zhonghe Huineng Co., Ltd., pursuant to which the vendors agreed to sell 100% of the equity interest in Hebei Sanlong and Shangyi County Shunneng at the aggregate consideration of RMB414.7 million.

The 2021 Second Disposal was approved by the Shareholders at the extraordinary general meeting on 13 January 2022 and the registration for share transfers of the two 2021 Second Disposal Subject Companies were completed in January 2022 and February 2022, respectively. As at the Latest Practicable Date, the Group has received proceeds of RMB298.4 million from the 2021 Second Disposal and expects to receive the remaining proceeds of RMB116.2 million by March 2023.

2021 Third Disposal

On 28 December 2021, Hebei Juge entered into a sale and purchase agreement with Anhui Province Wanneng Energy Exchange Co., Ltd, to dispose of the 100% equity interests in Yangyuan Juge at the aggregate consideration of RMB14.4 million. The registration of share transfer of Yangyuan Juge was completed in December 2021. As at the Latest Practicable Date, the Group has received proceeds of RMB15.6 million from the 2021 Third Disposal and expects to receive the remaining proceeds of RMB4 million by January 2023, after having completed the closing audit with an upward adjustment of the payables to shareholders.

2022 First Proposed Disposal

On 30 December 2021, Jiangxi Shunfeng, Shanghai Shunneng and Shunfeng Photovoltaic Investments (as the vendors) entered into four sale and purchase agreements with Xinjiang Silu, pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shunfeng Photovoltaic Investments have conditionally agreed to sell 100% of the equity interests in Hainan Xinsheng, Tongwei Qiemo, Xinjiang Pu Xin Cheng Da and Xinjiang Tianli Enze, at an aggregate consideration of RMB889.6 million. As there remained conditions which had not been satisfied, the vendors and the purchaser entered into termination agreements on 8 June 2022 to terminate the sale and purchase agreements in relation to the 2022 First Proposed Disposal.

The Disposal

On 29 June 2022 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company, pursuant to which the Vendor has agreed to sell the Target Equity Interest at an aggregate Consideration of approximately RMB664.3 million, which is equivalent to approximately HK$777.5 million. The aggregate Consideration payable by the Purchaser includes the value of the intra-group loans of approximately RMB623.6 million as of 31 December 2021 owed by Xinjiang Pu Xin Cheng Da to other entities within the Group. After the Set-off and the Waiver becoming effective, the intra-group loans of approximately RMB623.6 million will also be set off.

Possible disposals of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated

Apart from the Disposal, according to the Group's current funding requirement and working capital conditions, the Group intends to further dispose of its remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated, which are located in the PRC, on similar terms and conditions as the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal, the 2021 Third Disposal and the Disposal, which may include the discount arising from the lack of marketability, conditions precedent, timing and progress payments by tranches. The management of the Company has been initiating discussions and negotiations with more than one potential buyer in respect of the remaining solar power plants of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated.

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) The Purchaser and True Bold Global Limited ("**True Bold**")

As disclosed in this circular, the Disposal will allow the Vendor to obtain the Waiver to complete the Set-Off by settling the outstanding principal of debts owed by the Vendor to the Purchaser under the Loan Agreements on the Transfer Date.

As at the Latest Practicable Date, the outstanding principal amount owed by the Group to the Purchaser and True Bold is HK$661 million and HK$162.2 million, respectively.

Upon continuing negotiation and discussion between management of the Company and True Bold, as at Latest Practicable Date, management of True Bold has 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 and the settlement of the outstanding principal of HK$780,000,000 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.

Up to the Latest Practicable Date, total principal amount of HK$311,800,000 had been settled. The principal balance of HK$468,200,000 remained outstanding as at the Latest Practicable Date and has become repayable on demand as a result of breach of loan covenants. CMBC-HK has been aware of the Company's proposed settlement plan and also stands for the Development Plan proposed by management of the Company.

iii) Bondholders A of the Fourth CB

As detailed in Note 24(d) to the interim condensed consolidated financial statement in the 2021 interim report of the Company, on 26 March 2021, the Group entered into an extension agreement with the bondholder to further extend the due dates and the settlement of the outstanding principal of HK$350,000,000 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.

Up to the Latest Practicable Date, no settlement was made according to the terms stated above and the principal balance of HK$262,500,000 has become overdue as at the Latest Practicable Date. The Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group.

iv) 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 RMB87,918,000 overdue as at the Latest Practicable Date.

Management of the Company assessed that RMB75,319,000 out of the total overdue balance of RMB1,050,994,000 as at 30 June 2022 and RMB87,918,000 out of total overdue balance of RMB1,162,371,000 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, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal, the 2021 Third Disposal and the Disposal.

In respect of bond payables

v) 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 10 November 2019. Total principal amount of RMB187,100,000 had been settled during the year ended 31 December 2020.

During the year ended 31 December 2021, total principal amount of RMB32,990,900 has been settled. As at 31 December 2021, the total principal amount of RMB329,909,000 and accrued bond interest of RMB69,606,000 were overdue.

Up to the Latest Practicable Date, the overdue principal amount and accrued bond interest were RMB329,909,000 and RMB89,201,000 respectively.

The Company will repay the overdue borrowings with proceeds received from the disposal of solar power plants held by the Group.

vi) 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 31 May 2021, the Group entered into an extension agreement with the bondholder and agreed conditionally to further extend the due date of outstanding principal amount of RMB255,463,000 to 25 October 2021.

As at the Latest Practicable Date, the outstanding principal and the accrued bond interest were RMB255,463,000 and RMB77,702,000, 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, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal, management of the Company has assumed the repayment to the lenders at its best estimate.

In addition, given that (i) the possible extension of loans which the Group anticipated based on the current negotiation with creditors 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 disposals 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 disposals as described in the Development Plan 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 management of the Company, the Group will not have sufficient working capital for the next twelve months from the date of issue of this circular.

Save as the above, management of the Company is still positive that upon partial repayment of the loan principal and/or outstanding interest by applying the remaining proceeds to be received from the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal, 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, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal;

b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had breached certain financial covenants, which amounted to a total of RMB462,983,000 as at the 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, the Group has been negotiating with banks, financial institutions and other counterparties to further delay the debt repayment of those bank and other borrowings which will become mature within twelve months after the Latest Practicable Date, as well as taking into consideration of financial support from controlling shareholder to the Group to enable it meet its liabilities and obligations as and when they fall due in order to enable the Group to have adequate working capital in the next twelve months.

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 date of issue of this circular. However, if any of the following significant uncertainties and matters could not be addressed and do not materialise, it will have a significant adverse impact to the sufficiency and the Group will not have sufficient working capital for the next twelve months from the date of issue of this circular.

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 its present operating requirements and for at least the next twelve months commencing from the date of issue of this circular would depend upon the Group's ability to generate adequate investing, financing and operating cash flows through the successful fulfilment of all the following conditions:

(i) progressing the collection of the remaining sale proceeds in respect of the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal;

(ii) completing the Disposal;

(iii) continuing to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates; and

(iv) further disposal(s) of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated.

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 working capital of the Group.

The working capital forecast has been prepared on the significant assumption that the Group is able to achieve its Development Plan which comprise, among other things, (i) progressing the collection of the remaining sale proceeds in respect of the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal; (ii) completing the Disposal; (iii) seeking extension of due dates of the relevant debts and/or alternative refinancing; and (iv) further disposal(s) of the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which have been terminated. The working capital forecast do not include any adjustments that would result from a failure to complete the Development Plan. In view of the multiple significant uncertainties relating to achieving its Development Plan including (i) whether the Group is able to collect the remaining sale proceeds in respect of the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the 2021 Second Disposal and the 2021 Third Disposal; (ii) whether the Group is able to complete the Disposal; (iii) whether the Group is able to seek extension of due dates of the relevant debts and/or alternative refinancing and (iv) whether the Group is able to further dispose the remaining solar power plants in respect of the 2021 First Disposal and the 2022 First Proposed Disposal which has been terminated, Zhonghui issued qualified opinion in the comfort letter on working capital sufficiency.

The working capital forecast does not include any adjustments that would result from the failure to achieve the Development Plan. In view of the extent of the uncertainties relating to significant assumptions made by the Company's directors mentioned above, Zhonghui issued qualified opinion in respect of the uncertainties relating to the assumptions made in the working capital forecast for the achievement of the Development Plan.

IV. FINANCIAL AND TRADING PROSPECT OF THE COMPANY

Following the Completion, 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. The Group will continue to hold and operate the remaining solar power plants and actively explore new opportunities of the solar power business in the PRC, in particular the development, design and construction of distributed photovoltaic power plants on the rooftop of industrial and commercial buildings. The Group will also explore business opportunities in other types of clean energy, for example hydrogen energy.

V. RISK MANAGEMENT OF THE 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.

Set out below are the unaudited consolidated statements of financial position of Xinjiang Pu Xin Cheng Da Energy Technology Limited ("**Xinjiang Pu Xin Cheng Da**") as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Xinjiang Pu Xin Cheng Da for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 (the "Relevant Periods") and explanatory notes, which have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

Xinjiang Pu Xin Cheng Da incurred loss of approximately RMB6,229,000 for the six months ended 30 June 2022 and had net current liabilities and net liabilities of approximately RMB531,413,000 and RMB131,816,000 respectively as at 30 June 2022. This condition indicates the existence of a material uncertainty which may cast significant doubt about Xinjiang Pu Xin Cheng Da's ability to continue as a going concern. Accordingly, the review report includes an emphasis of matter paragraph.

A. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			**six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	–	12,042	57,291	30,232	29,733
Cost of sales	–	(7,686)	(31,587)	(16,342)	(15,688)
Gross profit	–	4,356	25,704	13,890	14,045
Other income	–	10,958	16,902	143	727
Other (losses)/gains	(94)	(78,072)	(15,919)	879	(6,418)
Impairment loss under expected credit loss model, net of reversal	–	(9)	(9)	(9)	–
Administrative expenses	(700)	(1,637)	(2,723)	(2,073)	(2,302)
Finance costs	–	(102,490)	(29,685)	(14,721)	(12,281)
Loss before tax	(794)	(166,894)	(5,730)	(1,891)	(6,229)
Income tax expenses	–	–	–	–	–
Loss and total comprehensive expense for the year/period	(794)	(166,894)	(5,730)	(1,891)	(6,229)

B. STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	42,794	42,787	281	493
Right-of-use assets	12,749	12,749	–	–
Solar power plants	–	440,563	413,093	399,104
Value-added tax recoverable	–	40,196	32,492	–
	55,543	536,295	445,866	399,597
Current assets				
Trade and other receivables	–	12,847	66,462	93,968
Value-added tax recoverable	–	9,225	7,674	4,362
Prepayment to suppliers	–	200	82	638
Amount due from the Remaining Group	–	34,002	54,512	74,792
Bank balance and cash	4,692	2	12	27
	4,692	56,276	128,742	173,787
Current liabilities				
Trade and other payables	5,328	18,918	14,227	16,850
Amount due to the Remaining Group	–	685,640	678,098	688,350
	5,328	704,558	692,325	705,200
Net current liabilities	(636)	(648,282)	(563,583)	(531,413)
Total asset less current liabilities	54,907	(111,987)	(117,717)	(131,816)
Net assets/(liabilities)	54,907	(111,987)	(117,717)	(131,816)
Capital and reserves				
Capital	60,000	60,000	60,000	60,000
Reserves	(5,093)	(171,987)	(177,717)	(191,816)
Total equity/(capital deficiency)	54,907	(111,987)	(117,717)	(131,816)

C. STATEMENTS OF CHANGES IN EQUITY

	Capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
At 1 January 2019	60,000	(4,299)	55,701
Loss and total comprehensive expenses for the year	–	(794)	(794)
At 31 December 2019 and 1 January 2020	60,000	(5,093)	54,907
Loss and total comprehensive expenses for the year	–	(166,894)	(166,894)
At 31 December 2020 and 1 January 2021	60,000	(171,987)	(111,987)
Loss and total comprehensive expenses for the year	–	(5,730)	(5,730)
At 31 December 2021 and 1 January 2022	60,000	(177,717)	(117,717)
Loss and total comprehensive expenses for the period	–	(6,229)	(6,229)
Dividends paid	–	(7,870)	(7,870)
At 30 June 2022	60,000	(191,816)	(131,816)

D. STATEMENTS OF CASH FLOWS

	Year ended 31 December			six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities					
Loss before tax	(794)	(166,894)	(5,730)	(1,891)	(6,229)
Depreciation of solar power plants	–	7,471	27,735	13,867	13,870
Depreciation of property, plant and equipment	–	7	2	–	23
Finance costs	–	102,490	29,685	14,721	12,281
Gain on disposal of property, plant and equipment	–	–	(581)	–	–
Loss on disposal of solar power plants	–	–	–	–	151
Impairment loss under expected credit loss model, net of reversal	–	9	9	9	–
Impairment of property, plant and equipment	–	–	18,810	–	–
Impairment of/ (reversal of impairment) solar power plants	–	200,516	–	–	–
Interest income	–	–	–	–	(1)
Waiver of amount due to the Remaining Group	–	(123,053)	–	–	–
Operating cash flows before movements in working capital	(794)	20,546	69,930	26,706	20,095
Change in trade and other receivables	–	(12,856)	(53,624)	(27,523)	(27,506)
Change in value-added tax recoverable	–	(285)	9,255	3,928	35,804
Change in amount due from the Remaining Group	–	(339)	138	219	–
Change in prepayment to suppliers	–	(200)	118	(3)	(556)
Change in trade and other payables	(4,452)	13,590	(4,691)	(2,025)	2,623
Change in amount due to the Remaining Group	–	2,294	1,366	651	3,416
Net cash (used in)/generated from operating activities	(5,246)	22,750	22,492	1,953	33,876

	Year ended 31 December			six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from investing activities					
Interest income received	–	–	–	–	1
Payments for construction cost in respect of solar power plants	–	–	(265)	–	(32)
Purchase of property, plant and equipment	–	–	(283)	–	(235)
Repayment from the Remaining Group	–	4,790	7,382	3,987	14,320
Advance to the Remaining Group	–	(38,453)	(28,030)	(5,980)	(34,600)
Net cash used in investing activities	–	(33,663)	(21,196)	(1,993)	(20,546)
Cash flows from financing activities					
Dividends paid	–	–	–	–	(7,870)
Advances from the Remaining Group	–	6,223	–	45	–
Repayments to the Remaining Group	–	–	(1,286)	–	(5,445)
Net cash generated from/(used in) financing activities	–	6,223	(1,286)	45	(13,315)
Net (decrease)/increase in cash and cash equivalents	(5,246)	(4,690)	10	5	15
Cash and cash equivalents at beginning of year/period	9,938	4,692	2	2	12
Cash and cash equivalents at end of year/period	4,692	2	12	7	27

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Xinjiang Pu Xin Cheng Da Energy Technology Limited ("Xinjiang Pu Xin Cheng Da") is a limited liability company incorporated in the People's Republic of China (the "PRC") and is principally engaged in the solar power generation business.

Xinjiang Pu Xin Cheng Da is an indirect wholly-owned subsidiary of Shunfeng International Clean Energy Limited (the "Company"), a public company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On 29 June 2022, Sino Alliance Capital Ltd. (the "Purchaser") entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Shunfeng Photovoltaic Holdings Limited (the "Vendor"), Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng Photovoltaic Investment Co. Ltd, Shunfeng Photovoltaic Investments (China) Company Limited and the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% equity interest in an entity, which was incorporated in the British Virgin Islands on 29 September 2022 and whose equity interest is to be transferred to the Purchaser pursuant to the Sale and Purchase Agreement and will hold 100% equity interest in Xinjiang Pu Xin Cheng Da through a company incorporated in Hong Kong, at an aggregate consideration of approximately RMB664,327,000 (the "Disposal").

Upon completion of the Disposal, Xinjiang Pu Xin Cheng Da will cease to be a subsidiary of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Xinjiang Pu Xin Cheng Da has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company's annual consolidated financial statements.

In preparing the unaudited financial information, the directors of the Company have given due and careful consideration to Xinjiang Pu Xin Cheng Da's future liquidity in light of the net current liabilities and net liabilities of approximately RMB531,413,000 and RMB131,816,000 respectively as at 30 June 2022. Xinjiang Pu Xin Cheng Da's liabilities as at 30 June 2022 included amount due to the Remaining Group of approximately RMB688,350,000 which were repayable on demand. The amount due from Xinjiang Pu Xin Cheng Da to the Remaining Group will be set off upon completion of the Disposal, and accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial information on a going concern basis.

However, if the Disposal is not completed, the directors of the Company believe that the Remaining Group will not demand repayment from Xinjiang Pu Xin Cheng Da until Xinjiang Pu Xin Cheng Da can meet in full its financial obligation as they fall due for the foreseeable future.

The historical financial information is presented in Renminbi ("RMB"), which is also the functional currency of Xinjiang Pu Xin Cheng Da. All historical financial information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed disposal (the "Disposal") of the 100% equity interest in Xinjiang Pu Xin Cheng Da Energy Technology Limited ("Xinjiang Pu Xin Cheng Da") might have affected the financial information of the group (the "Group").

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the remaining group (the "Remaining Group") for the year ended 31 December 2021 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2021 as extracted from the annual report of the Company for the year ended 31 December 2021 as if the Disposal had been completed on 1 January 2021.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2022 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the interim report of the Company for the period ended 30 June 2022 as if the Disposal had been completed on 30 June 2022.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

		Unaudited pro forma adjustments in respect of the Disposals			
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022	Exclusion of 100% equity interest in Xinjiang Pu Xin Cheng Da as at 30 June 2022	Recognition of impact on consideration and estimated gain on the Disposals	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (a)	*Note 2 (a)*	*Note 2 (b)*		
Non-current assets					
Property, plant and equipment	28,054	(493)	–	(493)	27,561
Right-of-use assets	40,660	–	–	–	40,660
Solar power plants	1,212,436	(399,104)	–	(399,104)	813,332
Intangible assets	118,932	–	–	–	118,932
Interests in associates	37,845	–	–	–	37,845
Interest in a joint venture	–	–	–	–	–
Financial assets at fair value through profit or loss ("FVTPL")	1,000	–	–	–	1,000
Other non-current assets	24,604	–	–	–	24,604
Value-added tax recoverable	22,901	–	–	–	22,901
	1,486,432	(399,597)	–	(399,597)	1,086,835
Current assets					
Trade and other receivables	1,023,550	(93,968)	–	(93,968)	929,582
Receivables at fair value through other comprehensive income ("FVTOCI")	915	–	–	–	915
Value-added tax recoverable	11,703	(4,362)	–	(4,362)	7,341
Prepayments to suppliers	3,637	(638)	–	(638)	2,999
Amounts due from the related parties	989,371	–	–	–	989,371
Amounts due from the Remaining Group	–	(74,792)	74,792	–	–
Restricted bank deposits	13,945	–	–	–	13,945
Bank balances and cash	487,717	(27)	(2,246)	(2,273)	485,444
	2,530,838	(173,787)	72,546	(101,241)	2,429,597
Assets classified as held for sale	1,178,755	–	–	–	1,178,755
	3,709,593	(173,787)	72,546	(101,241)	3,608,352

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022	Unaudited pro forma adjustments in respect of the Disposals			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2022
		Exclusion of 100% equity interest in Xinjiang Pu Xin Cheng Da as at 30 June 2022	Recognition of impact on consideration and estimated gain on the Disposals	Total pro forma adjustment in respect of the Disposals	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (a)	*Note 2 (a)*	*Note 2 (b)*		
Current liabilities					
Trade and other payables	670,791	(16,850)	(99,549)	(116,399)	554,392
Amounts due to the related parties	818,390	–	–	–	818,390
Amounts due to the Remaining Group	–	(688,350)	688,350	–	–
Lease liabilities	4,453	–	–	–	4,453
Provisions	219,090	–	–	–	219,090
Tax liabilities	915	–	–	–	915
Bank and other borrowings	1,598,013	–	(564,778)	(564,778)	1,033,235
Convertible bonds	32,427	–	–	–	32,427
Bond payables	585,372	–	–	–	585,372
	3,929,451	(705,200)	24,023	(681,177)	3,248,274
Liabilities associated with assets classified as held for sale	820,094	–	–	–	820,094
	4,749,545	(705,200)	24,023	(681,177)	4,068,368
Net current liabilities	(1,039,952)	531,413	48,523	579,936	(460,016)
Total assets less current liabilities	446,480	131,816	48,523	180,339	626,819

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of 100% equity interest in Xinjiang Pu Xin Cheng Da as at 30 June 2022	Unaudited pro forma adjustments in respect of the Disposals: Recognition of impact on consideration and estimated gain on the Disposals	Unaudited pro forma adjustments in respect of the Disposals: Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (a)	*Note 2 (a)*	*Note 2 (b)*		
Non-current liabilities					
Bank and other borrowings	322,782	–	–	–	322,782
Loan from a related company	626,861	–	–	–	626,861
Lease liabilities	19,596	–	–	–	19,596
Convertible bonds	550,757	–	–	–	550,757
	1,519,996	–	–	–	1,519,996
Net liabilities	(1,073,516)	131,816	48,523	180,339	(893,177)
Capital and reserve					
Share capital	40,756	–	–	–	40,756
Reserves	(1,208,756)	131,816	48,523	180,339	(1,028,417)
Equity attributable to owners of the Company	(1,168,000)	131,816	48,523	180,339	(987,661)
Non-controlling interests	94,484	–	–	–	94,484
Total equity	(1,073,516)	131,816	48,523	180,339	(893,177)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

		Unaudited pro forma adjustments in respect of the Disposals				
	Consolidated statement of profit or loss and comprehensive income of the Group for the year ended 31 December 2021	Exclusion of the results of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of profit or loss and comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Revenue	650,186	(57,291)	–	–	(57,291)	592,895
Cost of sales	(353,429)	31,587	–	–	31,587	(321,842)
Gross profit	296,757	(25,704)	–	–	(25,704)	271,053
Other income	36,942	(16,902)	–	–	(16,902)	20,040
Other gains and losses, net	(467,886)	15,919	(6,706)	(26,715)	(17,502)	(485,388)
Impairment loss under expected credit loss model, net of reversal	(33,957)	9	–	–	9	(33,948)
Administrative expenses	(107,935)	2,723	–	–	2,723	(105,212)
Share of profits of associates	2,345	–	–	–	–	2,345
Finance costs	(592,903)	29,685	–	99,051	128,736	(464,167)
Loss before tax	(866,637)	5,730	(6,706)	72,336	71,360	(795,277)
Income tax expense	(5,832)	–	–	–	–	(5,832)
Loss for the year from continuing operation	(872,469)	5,730	(6,706)	72,336	71,360	(801,109)
Discontinued operation						
Profit for the year from discontinued operation	126,856	–	–	–	–	126,856
Loss for the year	(745,613)	5,730	(6,706)	72,336	71,360	(674,253)

	Consolidated statement of profit or loss and comprehensive income of the Group for the year ended 31 December 2021	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of the results of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of profit or loss and comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences on translating foreign operations	–	–	–	–	–	–
Fair value gain on receivables at fair value through other comprehensive income	7	–	–	–	–	7
Release of reserves upon disposal of subsidiaries	(4,738)	–	–	–	–	(4,738)
Other comprehensive income for the year	(4,731)	–	–	–	–	(4,731)
Total comprehensive income for the year	(750,344)	5,730	(6,706)	72,336	71,360	(678,984)
(Loss)/Profit for the year attributable to owners of the Company						
– from continuing operation	(867,066)	5,730	(6,706)	72,336	71,360	(795,706)
– from discontinued operation	67,401	–	–	–	–	67,401
Loss for the year attributable to owners of the Company	(799,665)	5,730	(6,706)	72,336	71,360	(728,305)

		Unaudited pro forma adjustments in respect of the Disposals				
	Consolidated statement of profit or loss and comprehensive income of the Group for the year ended 31 December 2021	Exclusion of the results of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of profit or loss and comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
(Loss)/Profit for the year attributable to non-controlling interests						
– from continuing operation	(5,403)	–	–	–	–	(5,403)
– from discontinued operation	59,455	–	–	–	–	59,455
Profit for the year attributable to non-controlling interests	54,052	–	–	–	–	54,052
Total comprehensive income for the year attributable to:						
Owners of the Company	(804,396)	5,730	(6,706)	72,336	71,360	(733,036)
Non-controlling interests	54,052	–	–	–	–	54,052
	(750,344)	5,730	(6,706)	72,336	71,360	(678,984)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT CASH FLOWS OF THE REMAINING GROUP

		Unaudited pro forma adjustments in respect of the Disposals				
	Consolidated statement of cash flows of the Group for the year ended 31 December 2021	Exclusion of the cash flow of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss and payment in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Loss before tax from continuing operation	(866,637)	5,730	(6,706)	72,336	71,360	(795,277)
Profit before tax from discontinued operation	133,409	–	–	–	–	133,409
Adjustments for:						
Interest income	(2,326)	–	–	–	–	(2,326)
Finance costs	594,645	(29,685)	–	(99,051)	(128,736)	465,909
Share of profits of associates	(2,345)	–	–	–	–	(2,345)
Net foreign exchange gain	(62,283)	–	–	26,715	26,715	(35,568)
Depreciation of property, plant and equipment	17,666	(2)	–	–	(2)	17,664
Depreciation of solar power plants	278,432	(27,735)	–	–	(27,735)	250,697
Amortisation of intangible assets	18,241	–	–	–	–	18,241
Depreciation of right-of-use assets	10,441	–	–	–	–	10,441
Waiver of default interest payables	(28,072)	–	–	–	–	(28,072)
Gain on release of financial guarantee contracts	(9,000)	–	–	–	–	(9,000)
Gain on disposal of property, plant and equipment	(628)	581	–	–	581	(47)
Reversal of allowance for inventories	(11,001)	–	–	–	–	(11,001)
Loss allowance recognised on trade and other receivables	32,314	(9)	–	–	(9)	32,305
Loss allowance reversed on contract assets	(49)	–	–	–	–	(49)
Loss allowance recognised on other non-current assets	822	–	–	–	–	822

	Consolidated statement of cash flows of the Group for the year ended 31 December 2021	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of the cash flow of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss and payment in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Loss allowance recognised on amounts due from the related parties	5,320	–	–	–	–	5,320
Impairment loss on right-of-use assets	2,631	–	–	–	–	2,631
Impairment loss on property, plant and equipment	23,135	(18,810)	–	–	(18,810)	4,325
Impairment loss on solar power plants	129,555	–	–	–	–	129,555
Impairment loss recognised on assets classified as held for sale	102,828	–	–	–	–	102,828
Loss on disposal of discontinued operation	30,539	–	–	–	–	30,539
Loss on disposal of subsidiaries	47,884	–	–	–	–	47,884
Loss on disposal of Xinjiang Pu Xin Cheng Da	–	–	6,706	–	6,706	6,706
Loss on Forced Sale of Nine Disposal Entities	223,938	–	–	–	–	223,938
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets	(17,460)	–	–	–	–	(17,460)
Provision for financial guarantee contract	15,640	–	–	–	–	15,640
Provision on legal claims	11,000	–	–	–	–	11,000

	Consolidated statement of cash flows of the Group for the year ended 31 December 2021	Exclusion of the cash flow of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss and payment in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
		Unaudited pro forma adjustments in respect of the Disposals				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Operating cash flows before movements in working capital	678,639	(69,930)	–	–	(69,930)	608,709
Change in inventories	(22,538)	–	–	–	–	(22,538)
Change in contract assets	3,411	–	–	–	–	3,411
Change in trade and other receivables	(497,458)	53,624	–	–	53,624	(443,834)
Change in prepayments to suppliers	12,125	(118)	–	–	(118)	12,007
Change in amount due from the related companies	20,408	–	–	–	–	20,408
Change in trade and other payables	35,273	4,691	–	–	4,691	39,964
Change in contract liabilities	5,544	–	–	–	–	5,544
Change in receivables at FVTOCI	(12,914)	–	–	–	–	(12,914)
Change in value-added tax recoverable	78,920	(9,255)	–	–	(9,255)	69,665
Change in amount due from Xinjiang Pu Xin Cheng Da	–	(1,366)	–	1,366	–	–
Change in amount due to Xinjiang Pu Xin Cheng Da	–	(138)	–	138	–	–
Cash (used in)/generated from operations	301,410	(22,492)	–	1,504	(20,988)	280,422
Income taxes paid	(14,624)	–	–	–	–	(14,624)
Net cash generated from operating activities	286,786	(22,492)	–	1,504	(20,988)	265,798
Investing activities						
Withdrawal of restricted bank deposits	8,547	–	–	–	–	8,547
Receipt from government grants	300	–	–	–	–	300
Bank interest income received	2,326	–	–	–	–	2,326
Payments of right-of-use assets	(3,859)	–	–	–	–	(3,859)
Placement of restricted bank deposits	(69,869)	–	–	–	–	(69,869)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2021	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of the cash flow of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss and payment in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Payments of property, plant and equipment	(51,761)	283	–	–	283	(51,478)
Payments for construction cost in respect of solar power plants	(9,588)	265	–	–	265	(9,323)
Proceeds on disposal of property, plant and equipment	628	–	–	–	–	628
Proceeds on disposal of solar power plants	10,691	–	–	–	–	10,691
Payments for purchase of financial assets at FVTPL	(1,000)	–	–	–	–	(1,000)
Purchase of intangible assets	(181)	–	–	–	–	(181)
Loan repayment from independent third parties	4,331	–	–	–	–	4,331
Net cash inflows arising from disposal of subsidiaries	68,844	–	–	–	–	68,844
Repayment from Xinjiang Pu Xin Cheng Da	–	1,286	–	(1,286)	–	–
Payment for the Disposal	–	(2)	(2,190)	–	(2,192)	(2,192)
Receipt of consideration receivables in respect of subsidiaries disposed of in previous years	207,473	–	–	–	–	207,473
Receipt of consideration receivables from deemed disposal of a subsidiary	23,279	–	–	–	–	23,279
Net cash generated from investing activities	190,161	1,832	(2,190)	(1,286)	(1,644)	188,517

	Consolidated statement of cash flows of the Group for the year ended 31 December 2021	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of the cash flow of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021	Estimated loss and payment in respect of the Disposals	Effect of the Set-off and Waiver	Total pro forma adjustment in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (b)	*Note 3 (a)*	*Note 3 (b)*	*Note 3 (c)*		
Financing activities						
New bank and other borrowings raised	10,000	–	–	–	–	10,000
Repayment of bank and other borrowings	(412,068)	–	–	–	–	(412,068)
Interest paid for bank and other borrowings	(155,106)	–	–	–	–	(155,106)
Interest paid for convertible bonds	(19,708)	–	–	–	–	(19,708)
Repayment of bond payables	(32,991)	–	–	–	–	(32,991)
Payment of lease liabilities	(6,607)	–	–	–	–	(6,607)
Advance from independent third parties	1,344	–	–	–	–	1,344
Repayment to Xinjiang Pu Xin Cheng Da	–	(7,382)	–	7,382	–	–
Advanced from Xinjiang Pu Xin Cheng Da	–	28,030	–	(28,030)	–	–
Repayment to the 2019 Disposal Group	(32,819)	–	–	–	–	(32,819)
Net cash used in financing activities	(647,955)	20,648	–	(20,648)	–	(647,955)
Net decrease in cash and cash equivalents	(171,008)	(12)	(2,190)	(20,430)	(22,632)	(193,640)
Cash and cash equivalents at beginning of the year	226,746	–	–	–	–	226,746
Bank balances of the subsidiaries eliminated upon transfer to assets classified as held for sale	(54)	–	–	–	–	(54)
Effect of foreign exchange rate changes	(8)	–	–	–	–	(8)
Cash and cash equivalents at end of the year, represented by bank balances and cash	55,676	(12)	(2,190)	(20,430)	(22,632)	33,044

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

1. (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the published interim report of the Group for the six months ended 30 June 2022.

   (b) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 as set out in the published annual report of the Group for the year ended 31 December 2021.

2. (a) The adjustments represent the exclusion of assets and liabilities of Xinjiang Pu Xin Cheng Da as at 30 June 2022, assuming the disposals of Xinjiang Pu Xin Cheng Da had concurrently taken place on 30 June 2022. The assets and liabilities of Xinjiang Pu Xin Cheng Da are extracted from the relevant unaudited consolidated statements of financial position as at 30 June 2022 set out in Appendix II to this circular.

   (b) The adjustments represent the estimated gain on the Disposals credited to profit or loss, assuming the disposals of Xinjiang Pu Xin Cheng Da had concurrently taken place on 30 June 2022 and is calculated as follows:

	Notes	*RMB'000*
Consideration	(i)	664,327
Carrying amount of net liabilities of Xinjiang Pu Xin Cheng Da	(ii)	131,816
Set off of amount due from the Remaining Group	(iii)	74,792
Set off of amount due to the Remaining Group	(iii)	(688,350)
Costs and expenses in respect of the Disposal	(iv)	(2,246)
Estimated unaudited net gain on disposal		180,339

Notes:

(i) Pursuant to the sale and purchase agreement (the "Sale and Purchase Agreement"), the aggregate consideration (the "Consideration") payable by Sino Alliance Capital Limited (the "Purchaser") is approximately RMB664,327,000, including the following:

- The Consideration will be settled by setting off RMB527,953,000 of outstanding principal of debts (the "Debts") owed by Shunfeng Photovoltaic Holdings Limited (the "Vendor") to the Purchaser on the date of completion of the Disposal (the "Set-off").

- the Purchaser has agreed to waive the remaining outstanding principal and interest of the Debts owed by the Vendor to the Purchaser at the date of completion of the Disposal (the "Wavier"). As at 30 June 2022, the remaining outstanding principal and interest of the Debts owed by the Vendor to the Purchaser are RMB36,825,000 and RMB99,549,000 respectively, and the amounts will be updated at the date of completion of the Disposal.

Borrowings from the Purchaser of approximately RMB564,778,000 and interest payable to the Purchaser of approximately RMB99,549,000 were included in bank and other borrowings and trade and other payables of the Group as at 30 June 2022.

(ii) The amount represents the carrying amount of the net liabilities of Xinjiang Pu Xin Cheng Da as at 30 June 2022 which is extracted from the unaudited statement of financial position of Xinjiang Pu Xin Cheng Da as at 30 June 2022 as set out in Appendix II to this circular.

(iii) After the Set-off and the Waiver becoming effective, the amount due from the Remaining Group and the amount due to the Remaining Group of approximately RMB74,792,000 and RMB688,350,000 will also be set off respectively.

(iv) The estimated costs and expenses, including stamp duty of RMB264,000 and professional fee of RMB1,982,000 directly incurred for the Disposal that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposal.

(c) Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2022.

3. (a) The adjustments represent the exclusion of the results and cash flows of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021, assuming the disposals of Xinjiang Pu Xin Cheng Da had concurrently taken place on 1 January 2021. The results and cash flows of Xinjiang Pu Xin Cheng Da for the year ended 31 December 2021 are extracted from the unaudited statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of Xinjiang Pu Xin Cheng Da set out in Appendix II to this circular.

(b) The adjustments represent the estimated loss on the Disposal charged to profit or loss, assuming the Disposal had concurrently taken place on 1 January 2021 and is calculated as follows:

	Notes	*RMB'000*
Consideration	(i)	535,135
Carrying amount of net liabilities of Xinjiang Pu Xin Cheng Da	(ii)	111,987
Set off of amount due from the Remaining Group	(iii)	34,002
Set off of amount due to the Remaining Group	(iii)	(685,640)
Costs and expenses in respect of the Disposal	(iv)	(2,190)
Estimated unaudited net loss on disposal		(6,706)

Notes:

(i) Pursuant to the Sale and Purchase Agreement, the aggregate Consideration payable by the Purchaser is approximately RMB535,135,000 including the following:

– The Consideration will be settled by setting off RMB527,953,000 of outstanding principal of the Debts owed by the Vendor to the Purchaser on the date of completion of disposal.

– the Purchaser has agreed to waive the remaining outstanding principal and interest of the Debts owed by the Vendor to the Purchaser at the date of completion of the Disposal. As at 1 January 2021, the total remaining outstanding principal and interest owed by the Vendor to the Purchaser are RMB7,182,000 and the amounts will be updated at the date of completion of the Disposal.

During the year ended 31 December 2021, Asia Pacific Resources Development Investment Limited, a company controlled by a substantial shareholder of the Company, repaid RMB599,301,000 on behalf of the Group to the Purchaser and the Group repaid RMB39,540,000 to the Purchaser (collectively the "Repayments"). For the purpose of compiling this unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, it is assumed that the Repayments was made to the Purchaser on 1 January 2021 and before the completion of the Disposal.

(ii) The amount represents the carrying amount of the net liabilities of Xinjiang Pu Xin Cheng Da as at 1 January 2021 which is extracted from the unaudited statement of financial position of Xinjiang Pu Xin Cheng Da as at 31 December 2020 as set out in Appendix II to this circular.

(iii) After the Set-off and the Waiver becoming effective, the amount due from the Remaining Group and the amount due to the Remaining Group of approximately RMB34,002,000 and RMB685,640,000 will also be set off respectively.

(iv) The estimated costs and expenses, including stamp duty of RMB264,000 and professional fee of RMB1,926,000 directly incurred for the Disposal that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposal.

(c) After the Set-off and Waiver, (1) the Debts owed by the Vendor will be fully settled; (2) the amount due from the Remaining Group to Xinjiang Pu Xin Cheng Da will be set off; and (3) the amount due to the Remaining Group from Xinjiang Pu Xin Cheng Da will be set off.

During the year ended 31 December 2021, the Group recognised exchange gain of RMB26,715,000 and finance costs of RMB99,051,000 in respect of the Debts.

The adjustment represents (1) the reversal of finance costs and exchange gain in respect of the Debts for the year ended 31 December 2021; and (2) the reversal of payments to and from Xinjiang Pu Xin Cheng Da.

(d) Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2021 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021.

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

F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

26 October 2022

The Board of Directors
Shunfeng International Clean Energy Limited
Portion C, 30/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2022, the pro forma consolidated statement of profit or loss for the year ended 31 December 2021, the pro forma consolidated statement of cash flow for the year ended 31 December 2021 and related notes as set out on pages III-1 to III-16 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page III-1 of the said circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 100% equity interest in Xinjiang Pu Xin Cheng Da Energy Technology Limited on the Group's financial position as at 30 June 2022 as if the transaction had been taken place at 30 June 2022, and on the Group's financial performance and cash flows for the year ended 31 December 2021 as if the transaction had been taken place at 1 January 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2022, on which a review report with disclaimer of conclusion has been published, and financial performance and cash flows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2021, on which an auditor's report with disclaimer of opinion has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 and 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE POST DISPOSAL REMAINING GROUP

Set out below is the management discussion and analysis of the operation results and business review of the Post Disposal Remaining Group for the three years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022.

The Remaining Business immediately after the Disposal comprises the PRC Power Generation Business with on grid capacity of approximately 306MW.

FOR THE YEAR ENDED 31 DECEMBER 2019

Solar Power Generation

During the year ended 31 December 2019, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 336,184MWh.

	For the year ended 31 December		
	2018	**2019**	**% of Changes**
	MWh	*MWh*	
Power generation volume	336,120	336,184	(0.02)%

As at 31 December 2019, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 306MW of on-grid generation.

Business review

For the year ended 31 December 2019, the revenue of the Post Disposal Remaining Group was approximately RMB260 million.

Revenue decreased by approximately RMB7 million, or 2.6%, from RMB267 million for the year ended 31 December 2018, primarily attributable to the decrease in power generation volume of solar power generation business.

For the year ended 31 December 2019, the cost of sales of the Post Disposal Remaining Group decreased by approximately RMB5 million, or 3.3%, from approximately RMB150 million for the year ended 31 December 2018 to approximately RMB145 million for the year ended 31 December 2019, primarily attributable to the decrease in power generation volume of solar power generation business, as a result of which the gross profit of the Post Disposal Remaining Group was approximately RMB115 million.

For the year ended 31 December 2019, the other income of the Post Disposal Remaining Group for the year ended 31 December 2019 was approximately RMB8 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB8 million.

For the year ended 31 December 2019, other gains and losses of the Post Disposal Remaining Group recorded a net loss of approximately RMB212 million. The net other gains and losses and other expenses of the Post Disposal Remaining Group consist of, among other things, net loss on foreign exchange, an impairment loss under expected credit loss model and an impairment loss on solar power plant.

For the year ended 31 December 2019, there was no distribution and selling expenses of the Post Disposal Remaining Group. For the year ended 31 December 2019, the administrative expenses of the Post Disposal Remaining Group was approximately RMB118 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB51 million and certain other group-level audit, legal consulting and other related expenses of approximately RMB61 million.

For the year ended 31 December 2019, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB1 million.

For the year ended 31 December 2019, the finance costs of the Post Disposal Remaining Group were approximately RMB754 million, which primarily consist of the interest on the borrowing of approximately RMB4,591 million, interest on the current bonds payables of approximately RMB825 million and interest on convertible bonds of approximately RMB501 million.

As a result of the factors above, for the year ended 31 December 2019, the loss for the year of the Post Disposal Remaining Group was approximately RMB1,024 million.

The loss of the Post Disposal Remaining Group for the year ended 31 December 2019 was primarily attributable to the finance costs of approximately RMB754 million.

Solar power plants

As at 31 December 2019, the principal assets of the Post Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB1,979 million.

Liquidity, financial resources and capital structure

As at 31 December 2019, the net liability value of the Post Disposal Remaining Group was approximately RMB3,348 million.

As at 31 December 2019, the total assets of the Post Disposal Remaining Group were approximately RMB5,804 million, of which the non-current assets were approximately RMB2,375 million and the current assets were approximately RMB3,429 million.

As at 31 December 2019, the total liabilities of the Post Disposal Remaining Group were approximately RMB9,152 million, of which the non-current liabilities were approximately RMB1,297 million and the current liabilities were approximately RMB7,855 million.

The Post Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from -151.2% as at 31 December 2018 to -176.0% as at 31 December 2019.

Treasury policies

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

The Post Disposal Remaining Group has always adopted a prudent treasury management policy. The Post Disposal Remaining Group places a strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 31 December 2019, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB5,892 million, which included cash and cash equivalents of approximately RMB25 million, bank and other borrowings of RMB4,591 million, convertible bonds of RMB501 million, and bonds payable of RMB825 million.

Bank balances and cash, restricted bank deposits and pledged bank deposits

As at 31 December 2019, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB25 million and approximately RMB6 million, respectively.

Inventories

As at 31 December 2019, there was no inventories of the Post Disposal Remaining Group.

Trade and other receivables

As at 31 December 2019, the trade and other receivables were approximately RMB1,375 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 31 December 2019, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB4,591 million, of which the current amount of borrowings was approximately RMB3,770 million and the non-current amount of borrowing was approximately RMB821 million. The current amount of borrowings of the Post Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB1,165 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB878 million and short term loans of the PRC Power Generation Business of approximately RMB1,052 million. The non-current amount of borrowings of the Post Disposal Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB306 million.

Derivative financial liability

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

Convertible bonds

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

Bonds payables

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

Current ratio

As at 31 December 2019, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.44.

Capital commitments

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

Hedging

The Post Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post Disposal Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

Significant investments held and material acquisitions and disposals

There were no significant investments held by the Post Disposal Remaining Group as at 31 December 2019.

During the year ended 31 December 2019:

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

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

Employees and remuneration policies

As at 31 December 2019, the total number of employees of the Post Disposal Remaining Group was 107.

For the year ended 31 December 2019, the staff costs of the Post Disposal Remaining Group was approximately RMB51 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Charges on assets

As at 31 December 2019, the Post Disposal Remaining Group had pledged certain contract assets, trade and other receivables and receivables at fair value through other comprehensive income with carrying amount of approximately RMB331 million and certain property, plant and equipment, right-of-use assets, other deposits included in other noncurrent assets and solar power plants with carrying amount of approximately RMB757 million to various banks and other financial institutions for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 31 December 2019, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB15 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 31 December 2019, none of the other assets of the Post Disposal Remaining Group was pledged in favour of any financial institution.

Exposure to fluctuations in exchange rates and any related hedges

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Post Disposal Remaining Group to foreign exchange risk. The Post Disposal Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2019, the Post Disposal Remaining Group provided guarantees to Independent Third Parties with a total amount of approximately RMB307 million, of which approximately RMB177 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2019, save as disclosed above, the Post Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

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

FOR THE YEAR ENDED 31 DECEMBER 2020

Solar Power Generation

During the year ended 31 December 2020, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 318,630MWh.

	For the year ended 31 December		
	2019	**2020**	**% of Changes**
	MWh	*MWh*	
Power generation volume	336,184	318,630	(5.2)%

As at 31 December 2020, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 306MW of on-grid generation.

Business review

For the year ended 31 December 2020, the revenue of the Post Disposal Remaining Group was approximately RMB250 million.

Revenue decreased by approximately RMB10 million, or 3.8%, from RMB260 million for the year ended 31 December 2019, primarily attributable to the decrease in power generation volume of solar power generation business.

For the year ended 31 December 2020, the cost of sales of the Post Disposal Remaining Group decreased by approximately RMB16 million, or 11.0%, from approximately RMB145 million for the year ended 31 December 2019 to approximately RMB129 million for the year ended 31 December 2020, primarily attributable to the decrease in power generation volume of solar power generation business.

For the year ended 31 December 2020, the other income of the Post Disposal Remaining Group was approximately RMB12 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB8 million.

For the year ended 31 December 2020, other gains and losses of the Post Disposal Remaining Group recorded a net gains of approximately RMB115 million. The net other gains and losses of the Post Disposal Remaining Group consist of, among other things, net gain on foreign exchange, an impairment loss under expected credit loss model and an impairment loss on solar power plant.

For the year ended 31 December 2020, there was no distribution and selling expenses of the Post Disposal Remaining Group. For the year ended 31 December 2020, the administrative expenses of the Post Disposal Remaining Group was approximately RMB90 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB46 million and certain other group-level audit, legal consulting and other related expenses of approximately RMB39 million.

For the year ended 31 December 2020, there was no research and development expenditure of the Post Disposal Remaining Group.

For the year ended 31 December 2020, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB2 million.

For the year ended 31 December 2020, the finance costs of the Post Disposal Remaining Group were approximately RMB547 million, which primarily consist of the interest on the borrowing of approximately RMB4,024 million, interest on the current bonds payables of approximately RMB618 million and interest on convertible bonds of approximately RMB529 million.

As a result of the factors above, for the year ended 31 December 2020, the loss for the year of the Post Disposal Remaining Group was approximately RMB398 million.

The loss of the Post Disposal Remaining Group for the year ended 31 December 2020 was primarily attributable to the finance costs of approximately RMB547 million.

Solar power plants

As at 31 December 2020, the principal assets of the Post Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB1,784 million.

Liquidity, financial resources and capital structure

As at 31 December 2020, the net liability value of the Post Disposal Remaining Group was approximately RMB3,100 million.

As at 31 December 2020, the total assets of the Post Disposal Remaining Group were approximately RMB4,731 million, of which the non-current assets were approximately RMB2,134 million and the current assets were approximately RMB2,597 million.

As at 31 December 2020, the total liabilities of the Post Disposal Remaining Group were approximately RMB7,831 million, of which the non-current liabilities were approximately RMB1,656 million and the current liabilities were approximately RMB6,175 million.

The Post Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from -176.0% as at 31 December 2019 to -165.3% as at 31 December 2020.

Treasury policies

The Post Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 31 December 2020.

The Post Disposal Remaining Group has always adopted a prudent treasury management policy. The Post Disposal Remaining Group places a strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 31 December 2020, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB5,122 million, which included cash and cash equivalents of approximately RMB50 million, bank and other borrowings of RMB4,025 million, convertible bonds of RMB529 million, and bonds payable of RMB618 million.

Bank balances and cash, restricted bank deposits and pledged bank deposits

As at 31 December 2020, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB50 million and approximately RMB5 million, respectively.

Inventories

As at 31 December 2020, there was no inventories of the Post Disposal Remaining Group.

Trade and other receivables

As at 31 December 2020, the trade and other receivables were approximately RMB896 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 31 December 2020, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB4,025 million, of which the current amount of borrowings was approximately RMB2,874 million and the non-current amount of borrowing was approximately RMB1,151 million. The current amount of borrowings of the Post Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB1,010 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB252 million and short term loans of the PRC Power Generation Business of approximately RMB1,174 million. The non-current amount of borrowings of the Post Disposal Remaining Group primarily comprises the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch of approximately RMB404 million and long-term loans of the PRC Power Generation Business of approximately RMB558 million.

Derivative financial liability

As at 31 December 2020, there was no derivative financial liability of the Post Disposal Remaining Group.

Convertible bonds

As at 31 December 2020, the total amount of convertible bonds of the Post Disposal Remaining Group was approximately RMB529 million, of which the current amount of convertible bonds was approximately RMB37 million and the non-current amount of convertible bonds was approximately RMB492 million. The current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB36 million and the second tranche convertible bonds of approximately RMB1 million. The non-current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB38 million, the second tranche convertible bonds of approximately RMB370 million and the third tranche convertible bonds of approximately RMB84 million.

Bonds payables

As at 31 December 2020, the total amount of bonds payables by the Post Disposal Remaining Group was approximately RMB618 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB618 million issued from Shunfeng Photovoltaic Investments. There was no non-current amount of bonds payable by the Post Disposal Remaining Group as at 31 December 2020.

Current ratio

As at 31 December 2020, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.42.

Capital commitments

The Post Disposal Remaining Group had no capital commitment in relation to the construction-in-progress of PRC Power Generation Business as at 31 December 2020.

Hedging

The Post Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post Disposal Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

Significant investments held and material acquisitions and disposals

There were no significant investments held by the Post Disposal Remaining Group as at 31 December 2020.

During the year ended 31 December 2020:

- as disclosed in the Company's announcement dated 18 March 2020 and circular dated 15 June 2020, on 16 March 2020 (after trading hours), Jiangxi Shunfeng and Shanghai Shunneng, the indirect wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements with Zhejiang Zhengtai, pursuant to which Jiangxi Shunfeng and Shanghai Shunneng agreed to sell 100% of the equity interest in 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); and

- as disclosed in the Company's announcement dated 31 December 2020 and circular dated 23 June 2021, on 31 December 2020 (after trading hours), Lattice Power (as the vendor) entered into a sale and purchase agreement with Nanchang Guanggu Group Limited, pursuant to which the vendor conditionally agreed to sell, and Nanchang Guanggu Group Limited conditionally agreed to purchase, the equity interest in Lattice Power (Jiangxi) Co., Ltd at an aggregate consideration of RMB670 million.

Employees and remuneration policies

As at 31 December 2020, the total number of employees of the Post Disposal Remaining Group was 100.

For the year ended 31 December 2020, the staff costs of the Post Disposal Remaining Group was approximately RMB37 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Charges on assets

As at 31 December 2020, the Post Disposal Remaining Group had pledged certain contract assets, trade and other receivables and receivables at fair value through other comprehensive income with carrying amount of approximately RMB486 million and certain property, plant and equipment, right-of-use assets, other deposits included in other noncurrent assets and solar power plants with carrying amount of approximately RMB1,462 million to various banks and other financial institutions for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 31 December 2020, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB20 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 31 December 2020, none of the other assets of the Post Disposal Remaining Group was pledged in favour of any financial institution.

Exposure to fluctuations in exchange rates and any related hedges

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Post Disposal Remaining Group to foreign exchange risk. The Post Disposal Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2020, the Post Disposal Remaining Group provided guarantees to Independent Third Parties and a related party with a total amount of approximately RMB188 million, of which approximately RMB188 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2020, save as disclosed above, the Post Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post Disposal Remaining Group for the year ended 31 December 2020.

FOR THE YEAR ENDED 31 DECEMBER 2021

Solar Power Generation

During the year ended 31 December 2021, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 353,206MWh.

	For the year ended 31 December		
	2020	**2021**	**% of Changes**
	MWh	*MWh*	
Power generation volume	318,630	353,206	10.9%

As at 31 December 2021, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 306MW of on-grid generation.

Business review

For the year ended 31 December 2021, the revenue of the Post Disposal Remaining Group was approximately RMB274 million.

Revenue increased by approximately RMB24 million, or 9.6%, from RMB250 million for the year ended 31 December 2020, primarily attributable to increase in power generation volume from the solar power plants in the PRC.

For the year ended 31 December 2021, the cost of sales of the Post Disposal Remaining Group increased by approximately RMB10 million, or 7.8%, from approximately RMB129 million for the year ended 31 December 2020 to approximately RMB139 million for the year ended 31 December 2021, primarily attributable to increase in power generation volume from the solar power plants in the PRC.

For the year ended 31 December 2021, the other income of the Post Disposal Remaining Group was approximately RMB11 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB9 million.

For the year ended 31 December 2021, other gains and losses of the Post Disposal Remaining Group recorded a net loss of approximately RMB145 million. The net other gains and losses of the Post Disposal Remaining Group consist of, among other things, net gain on foreign exchange, an impairment loss under expected credit loss model and an impairment loss on solar power plant.

For the year ended 31 December 2021, there was no distribution and selling expenses of the Post Disposal Remaining Group. For the year ended 31 December 2021, the administrative expenses of the Post Disposal Remaining Group was approximately RMB91 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB39 million and certain other group-level audit, legal consulting and other related expenses of approximately RMB46 million.

For the year ended 31 December 2021, there was no research and development expenditure of the Post Disposal Remaining Group.

For the year ended 31 December 2021, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB2 million.

For the year ended 31 December 2021, the finance costs of the Post Disposal Remaining Group were approximately RMB455 million, which primarily consist of the interest on the borrowing of approximately RMB2,569 million, interest on the current bonds payables of approximately RMB585 million and interest on convertible bonds of approximately RMB563 million.

As a result of the factors above, for the year ended 31 December 2021, the loss for the year of the Post Disposal Remaining Group was approximately RMB580 million.

The loss of the Post Disposal Remaining Group for the year ended 31 December 2021 was primarily attributable to the finance costs of approximately RMB455 million.

Solar power plants

As at 31 December 2021, the principal assets of the Post Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB1,517 million.

Liquidity, financial resources and capital structure

As at 31 December 2021, the net liability value of the Post Disposal Remaining Group was approximately RMB1,905 million.

As at 31 December 2021, the total assets of the Post Disposal Remaining Group were approximately RMB4,960 million, of which the non-current assets were approximately RMB1,111 million and the current assets were approximately RMB3,849 million.

As at 31 December 2021, the total liabilities of the Post Disposal Remaining Group were approximately RMB6,865 million, of which the non-current liabilities were approximately RMB1,457 million and the current liabilities were approximately RMB5,408 million.

The Post Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from -165.3% as at 31 December 2020 to -157.9% as at 31 December 2021.

Treasury policies

The Post Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 31 December 2021.

The Post Disposal Remaining Group has always adopted a prudent treasury management policy. The Post Disposal Remaining Group places a strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 31 December 2021, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB3,606 million, which included cash and cash equivalents of approximately RMB56 million, bank and other borrowings of RMB1,915 million, convertible bonds of RMB563 million, bonds payable of RMB585 million and loan from a related company of RMB599 million.

Bank balances and cash, restricted bank deposits and pledged bank deposits

As at 31 December 2021, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB56 million and approximately RMB7 million, respectively.

Trade and other receivables

As at 31 December 2021, the trade and other receivables were approximately RMB971 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 31 December 2021, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB2,569 million, of which the current amount of borrowings was approximately RMB1,782 million and the non-current amount of borrowing was approximately RMB787 million. The current amount of borrowings of the Post Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB540 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB385 million and short-term loans of the PRC Power Generation Business of approximately RMB431 million. The non-current amount of borrowings of the Post Disposal Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB787 million.

Derivative financial liability

As at 31 December 2021, there was no derivative financial liability of the Post Disposal Remaining Group.

Convertible bonds

As at 31 December 2021, the total amount of convertible bonds of the Post Disposal Remaining Group was approximately RMB563 million, of which the current amount of convertible bonds was approximately RMB37 million and the non-current amount of convertible bonds was approximately RMB526 million. The current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB36 million and the second tranche convertible bonds of approximately RMB1 million. The non-current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB54 million, the second tranche convertible bonds of approximately RMB370 million and the third tranche convertible bonds of approximately RMB102 million.

Bonds payables

As at 31 December 2021, the total amount of bonds payables by the Post Disposal Remaining Group was approximately RMB585 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB585 million issued from Shunfeng Photovoltaic Investments. There was no non-current amount of bonds payable by the Post Disposal Remaining Group as at 31 December 2021.

Current ratio

As at 31 December 2021, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.71.

Capital commitments

The Post Disposal Remaining Group had no capital commitment in relation to the construction-in-progress of PRC Power Generation Business as at 31 December 2021.

Hedging

The Post Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post Disposal Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

Significant investments held and material acquisitions and disposals

There were no significant investments held and material acquisitions and disposals by the Post Disposal Remaining Group for the year ended 31 December 2021.

During the year ended 31 December 2021:

- as disclosed in the Company's announcement dated 24 August 2021 and circular dated 24 November 2021, on 13 August 2021 (after trading hours), Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde entered into 7 sale and purchase agreements with China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd. pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde agreed to sell 100% of the equity interest in the 2021 First Disposal Subject Companies with the consideration including cash payment of RMB138.2 million and repayment of relevant payables of RMB399.4 million (subject to adjustment to the relevant payables). As disclosed in the Company's announcement dated 21 September 2022, as the conditions in the remaining four out of the seven 2021 First Disposal Subject Companies, namely Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd, Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd, Kezhou Baishide New Energy Development Co., Ltd and Yingjisha County Rongxin Tianhe New Energy Co., Ltd, have not been satisfied by 21 September 2022, the vendors and the purchaser of the four 2021 First Disposal Subject Companies entered into termination agreements on 21 September 2022 to terminate the sale and purchase agreements of the four 2021 First Disposal Subject Companies;

- as disclosed in the Company's announcement dated 6 October 2021 and circular dated 24 December 2021, on 24 September 2021 (after trading hours), Jiangxi Shunfeng, Shijiazhuang Huaiyuan and Hebei Zhenlong entered into 2 sale and purchase agreements with Zhonghe Huineng Co., Ltd., pursuant to which Jiangxi Shunfeng, Shijiazhuang Huaiyuan and Hebei Zhenlong agreed to sell 100% of the equity interest in Hebei Sanlong and Shangyi County Shunneng with the consideration including cash payment of RMB170 million and repayment of relevant payables of RMB244.7 million (subject to adjustment to the relevant payables);

- as disclosed in the Company's announcement dated 28 December 2021, on the same date (after trading hours), Hebei Juge entered into a sale and purchase agreement with Anhui Province Wanneng Energy Exchange Co., Ltd, pursuant to which Hebei Juge agreed to sell 100% of the equity interest in Yangyuan Juge with the consideration including cash payment of RMB13.7 million and repayment of relevant payables of RMB0.7 million (subject to adjustment to the relevant payables); and

- as disclosed in the Company's announcement dated 3 January 2022, on 30 December 2021 (after trading hours), Jiangxi Shunfeng, Shanghai Shunneng, and Shunfeng Photovoltaic Investments entered into 4 sale and purchase agreements with Xinjiang Silu Qianyuan Energy Co., Ltd., pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shunfeng Photovoltaic Investments agreed to sell 100% equity interest in Hainan Xinsheng, Tongwei Qiemo, Xinjiang Pu Xin Cheng Da and Xinjiang Tianli Enze with the consideration including cash payment of RMB160.2 million and repayment of relevant payables of RMB729.4 million (subject to adjustment to the relevant payables). As disclosed in the Company's announcement dated 8 June 2022, as there remained conditions which had not been satisfied, the vendors and the purchaser entered into termination agreements on 8 June 2022 to terminate the sale and purchase agreements.

Employees and remuneration policies

As at 31 December 2021, the total number of employees of the Post Disposal Remaining Group was 93.

For the year ended 31 December 2021, the staff costs of the Post Disposal Remaining Group was approximately RMB34 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Charges on assets

As at 31 December 2021, the Post Disposal Remaining Group had pledged certain contract assets, trade and other receivables and receivables at fair value through other comprehensive income with carrying amount of approximately RMB754 million and certain property, plant and equipment, right-of-use assets, other deposits included in other non-current assets and solar power plants with carrying amount of approximately RMB1,329 million to various banks for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 31 December 2021, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB46 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 31 December 2021, none of the other assets of the Post Disposal Remaining Group was pledged in favour of any financial institution.

Exposure to fluctuations in exchange rates and any related hedges

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Post Disposal Remaining Group to foreign exchange risk. The Post Disposal Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2021, the Post Disposal Remaining Group provided guarantees to Independent Third Parties and a related party with a total amount of approximately RMB190 million, of which approximately RMB190 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2021, save as disclosed above, the Post Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post Disposal Remaining Group for the year ended 31 December 2021.

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Solar Power Generation

During the six months ended 30 June 2022, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 165,133MWh.

	For the six months ended 30 June		
	2021	**2022**	**% of Changes**
	MWh	*MWh*	
Power generation volume	181,911	165,133	(9.2)%

As at 30 June 2022, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 306MW of on-grid generation.

Business review

For the six months ended 30 June 2022, the revenue of the Post Disposal Remaining Group was approximately RMB130 million.

Revenue decreased by approximately RMB12 million, or 8.5%, from RMB142 million for the six months ended 30 June 2021, primarily attributable to decrease in power generation volume from the solar power plants in the PRC.

For the six months ended 30 June 2022, the cost of sales of the Post Disposal Remaining Group decreased by approximately RMB25 million, or 36.8%, from approximately RMB68 million for the six months ended 30 June 2021 to approximately RMB43 million for the six months ended 30 June 2022, primarily attributable to decrease in power generation volume from the solar power plants in the PRC.

For the six months ended 30 June 2022, the other income of the Post Disposal Remaining Group was approximately RMB8 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB5 million.

For the six months ended 30 June 2022, other gains and losses of the Post Disposal Remaining Group recorded a net loss of approximately RMB91 million. The net other gains and losses of the Post Disposal Remaining Group consist of, among other things, net loss foreign exchange, a net of reversal of impairment loss under expected credit loss model and a reversal of impairment loss on solar power plant.

For the six months ended 30 June 2022, there was no distribution and selling expenses of the Post Disposal Remaining Group. For the six months ended 30 June 2022 the administrative expenses of the Post Disposal Remaining Group was approximately RMB40 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB20 million and certain other group-level audit, legal consulting and other related expenses of approximately RMB19 million.

For the six months ended 30 June 2022, there was no research and development expenditure of the Post Disposal Remaining Group.

For the six months ended 30 June 2022, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB2 million.

For the six months ended 30 June 2022, the finance costs of the Post Disposal Remaining Group were approximately RMB214 million, which primarily consist of the interest on the borrowing of approximately RMB2,576 million, interest on the current bonds payables of approximately RMB585 million, interest on convertible bonds of approximately RMB583 million and interest on a loan from a related company of RMB627 million.

As a result of the factors above, for the six months ended 30 June 2022, the loss for the period of the Post Disposal Remaining Group was approximately RMB188 million.

The loss of the Post Disposal Remaining Group for the six months ended 30 June 2022 was primarily attributable to the finance costs of approximately RMB214 million.

Solar power plants

As at 30 June 2022, the principal assets of the Post Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB1,485 million.

Liquidity, financial resources and capital structure

As at 30 June 2022, the net liability value of the Post Disposal Remaining Group was approximately RMB2,602 million.

As at 30 June 2022, the total assets of the Post Disposal Remaining Group were approximately RMB4,698 million, of which the non-current assets were approximately RMB1,087 million and the current assets were approximately RMB3,611 million.

As at 30 June 2022, the total liabilities of the Post Disposal Remaining Group were approximately RMB6,059 million, of which the non-current liabilities were approximately RMB1,520 million and the current liabilities were approximately RMB4,539 million.

The Post Disposal Remaining Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Post Disposal Remaining Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from -157.9% as 31 December 2021 to -191.2% as at 30 June 2022.

Treasury policies

The Post Disposal Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. It was in a negative net cash position as at 30 June 2022.

The Post Disposal Remaining Group has always adopted a prudent treasury management policy. The Post Disposal Remaining Group places a strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 30 June 2022, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB3,228 million, which included cash and cash equivalents of approximately RMB488 million, bank and other borrowings of RMB1,921 million, convertible bonds of RMB583 million, bonds payable of RMB585 million and loan from a related company of RMB627 million.

Bank balances and cash, restricted bank deposits and pledged bank deposits

As at 30 June 2022, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB488 million and approximately RMB14 million, respectively.

Trade and other receivables

As at 30 June 2022, the trade and other receivables were approximately RMB930 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 30 June 2022, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB2,576 million, of which the current amount of borrowings was approximately RMB1,848 million and the non-current amount of borrowing was approximately RMB728 million. The current amount of borrowings of the Post Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB565 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB400 million and short-term loans of the PRC Power Generation Business of approximately RMB445 million. The non-current amount of borrowings of the Post Disposal Remaining Group primarily comprises long-term loans of the PRC Power Generation Business of approximately RMB728 million.

Derivative financial liability

As at 30 June 2022, there was no derivative financial liability of the Post Disposal Remaining Group.

Convertible bonds

As at 30 June 2022, the total amount of convertible bonds of the Post Disposal Remaining Group was approximately RMB583 million, of which the current amount of convertible bonds was approximately RMB32 million and the non-current amount of convertible bonds was approximately RMB551 million. The current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB31 million and the second tranche convertible bonds of approximately RMB1 million. The non-current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB69 million, the second tranche convertible bonds of approximately RMB370 million and the third tranche convertible bonds of approximately RMB112 million.

Bonds payables

As at 30 June 2022, the total amount of bonds payables by the Post Disposal Remaining Group was approximately RMB585 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB585 million issued from Shunfeng Photovoltaic Investments. There was no non-current amount of bonds payable by the Post Disposal Remaining Group as at 30 June 2022.

Current ratio

As at 30 June 2022, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.80.

Capital commitments

The Post Disposal Remaining Group had no capital commitment in relation to the construction-in-progress of PRC Power Generation Business as at 30 June 2022.

Hedging

The Post Disposal Remaining Group did not enter into any financial instrument for hedging purposes nor did the Post Disposal Remaining Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks.

Significant investments held and material acquisitions and disposals

There were no significant investments held and material acquisitions and disposals by the Post Disposal Remaining Group for the six months ended 30 June 2022.

Employees and remuneration policies

As at 30 June 2022, the total number of employees of the Post Disposal Remaining Group was 91.

For the six months ended 30 June 2022, the staff costs of the Post Disposal Remaining Group was approximately RMB16 million.

The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Charges on assets

As at 30 June 2022, the Post Disposal Remaining Group had pledged certain contract assets, trade and other receivables and receivables at fair value through other comprehensive income with carrying amount of approximately RMB847 million and certain property, plant and equipment, right-of-use assets, other deposits included in other non-current assets and solar power plants with carrying amount of approximately RMB1,219 million to various banks for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 30 June 2022, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB42 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 30 June 2022, none of the other assets of the Post Disposal Remaining Group was pledged in favour of any financial institution.

Exposure to fluctuations in exchange rates and any related hedges

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Post Disposal Remaining Group to foreign exchange risk. The Post Disposal Remaining Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile to supervise foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 30 June 2022, the Post Disposal Remaining Group provided guarantees to Independent Third Parties and a related party with a total amount of approximately RMB208 million, of which approximately RMB208 million has been provided and recognised as provision in the statement of financial position. As at 30 June 2022, save as disclosed above, the Post Disposal Remaining Group had no significant contingent liabilities.

Dividend policy

No dividend was paid or proposed of the Post Disposal Remaining Group for the six months ended 30 June 2022.

OUTLOOK AND FUTURE PROSPECTS

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

The following is the text of the valuation report from AVISTA Valuation Advisory Limited, the independent valuer, in connection with the fair value valuation of the Target (as defined below) as of 31 December 2021 for the sole purpose of inclusion in this circular.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

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

Dear Sirs/Madams,

Re: Valuation of Business Enterprise Value of Solar Power Plant

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a fair value valuation in connection with the business enterprise value of a solar power plant (the "**Target**") as of 31 December 2021 (the "**Valuation Date**"). We understand that Shunfeng International Clean Energy Limited (the "**Company**", "**SFCE**" or "**you**") intends to dispose the entire shareholding of the Target (the "**Proposed Disposal**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Disposal solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

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

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

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

COMPANY BACKGROUND

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

The Target is referring to a solar power plant owned by SFCE with production capacity of 70 megawatts ("**MW**"). It is located at Xinjiang province of the PRC.

We understand that the Company intends to dispose the entire equity interest of the Target. As such, the Company would like to assess the fair value of the business enterprise of the Target 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, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target to understand the history, business model, operations, business development plan, etc. of the Target 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 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; 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 and its authorized representatives.

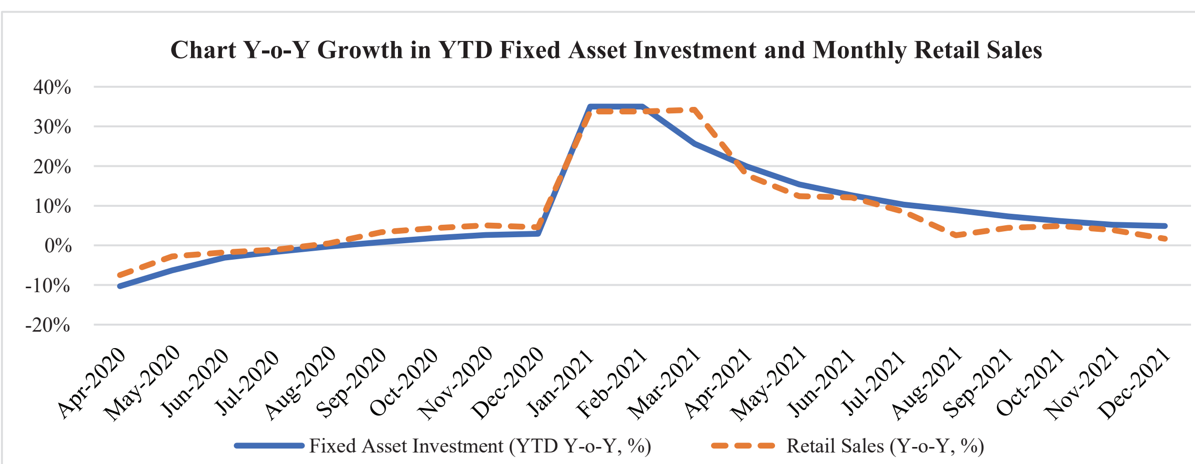
ECONOMIC OVERVIEW

Overview of the PRC economy

Coronavirus variants continue to prevail worldwide despite vaccination program rolled out globally, virus prevention and lockdown policies are still in place in many economies that curbs production activities and consumer spending. Since China adopted a Covid Zero Strategy, the second-largest economy sustained a relatively stronger recovery from the economic downturn in 2021. Meanwhile, demand contraction, supply shock, and liquidity crisis in the property sector weigh on the Chinese economy in the year 2021, the road to recovery is still bumpy and uncertain.

According to China's National Bureau of Statistics ("**NBS**"), China's gross domestic product ("**GDP**") increased by 4.0% year-over-year ("**y-o-y**") in 2021Q4, a slower pace than the 4.9% y-o-y growth in 2021Q3. Consumption and fixed asset investment activities growth decelerated in the domestic market. The retail sales growth decreased to 1.7% y-o-y in December 2021 from 4.4% in September 2021 while online retail sales accounted for 24.5% of the total retail sales. At the same time, the growth in fixed asset investment also slowed down, amounting to RMB54,455 billion in the whole of 2021, indicating a y-o-y growth of 4.9%. The growth was mainly driven by the robust growth in the manufacturing sectors with y-o-y growth of 11.4% in 2021.

In terms of foreign trading, according to China's General Administration of Customs, China's international trade value increased by 21.4% y-o-y and reached RMB39,101 billion in 2021, in which the export value accounted for RMB21,735 billion and recorded a y-o-y growth of 21.2%. A record-breaking annual trade surplus provided strong support during a slowing economic growth in the second half of 2021.

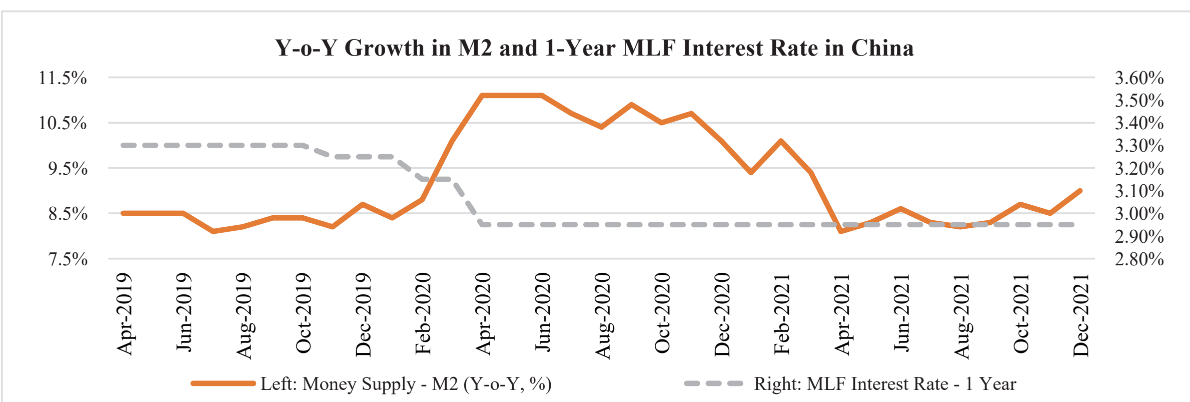


(Source: National Bureau of Statistics of China)

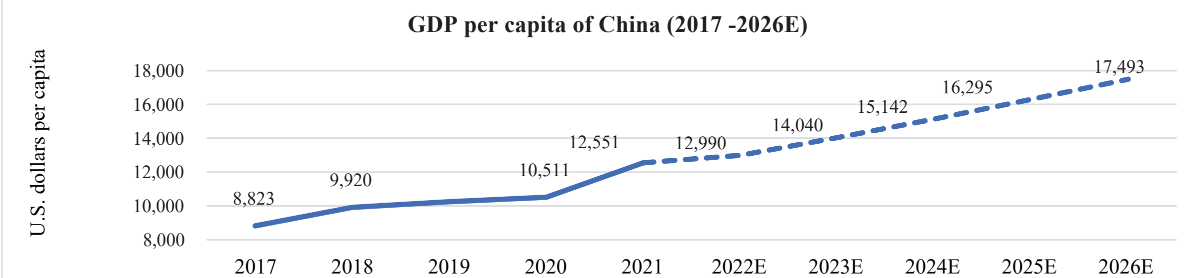
China's major gauge of price level reflected sustained inflation after a brisk recovery from Coronavirus Disease ("**COVID-19**"). The NBS announced a 1.5% y-o-y growth in the consumer price index ("**CPI**") in China in December 2021. The core CPI, which excludes the volatile food and energy prices, was reported to increase by 1.2% y-o-y in December 2021. On the other hand, due to the surging price of natural resources and raw materials, inflation pressure remains increasing in China. The producer price index ("**PPI**") grew by 10.2% y-o-y in December 2021. Hence, the Chinese government enhanced the management of commodities and daily necessities in order to ensure the stability of supply and price while preventing a sharp increase in prices that hurts the livelihood of its citizens.

Financing costs remained stable for the whole of 2021 in China. The interest rate of one-year medium-term lending facility ("**MLF**") loans to financial institutions remained steady at 2.95% throughout 2021, according to the People's Bank of China (the "**PBoC**"). However, the growth of money supply ("**M2**") slowed further in the fourth quarter of 2021 considering the weakened borrowing momentum. In December 2021, the M2 growth edged up 9.0% y-o-y but eased from a higher level of around 11% y-o-y in 2020Q1 when the PBoC implemented rate cuts and easing monetary policies to deal with the recession amid virus outbreak.

Looking ahead, China's economic growth is expected to revive with a relatively relaxed monetary policy and resilient domestic consumption as well as robust international trade. The impact of de-leveraging and supply shortage is expected to ease and the growth of key industries to resume to pre-pandemic level. International Monetary Fund ("**IMF**") forecasted the GDP per capita in China to continue its upward trend and reach USD17,493 in 2026.



(Source: NBS, PBoC)



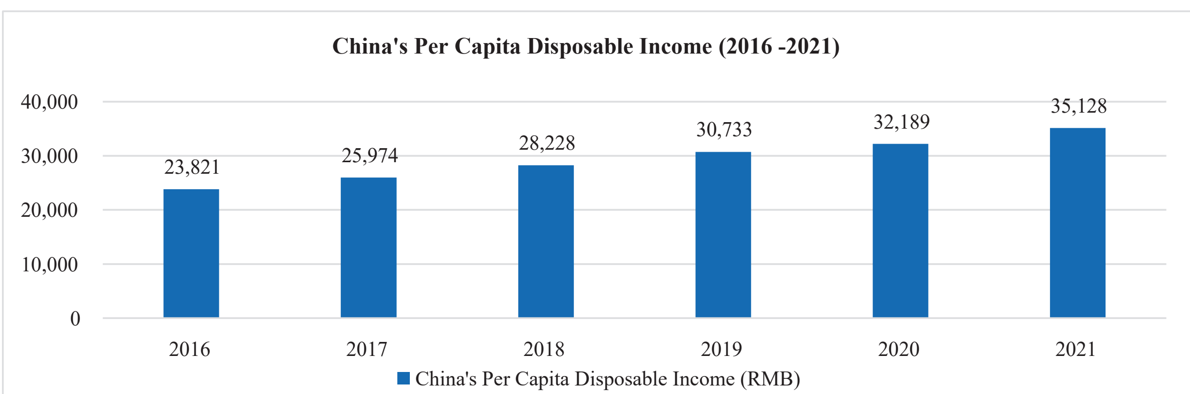
(Source: IMF)

INDUSTRY OVERVIEW

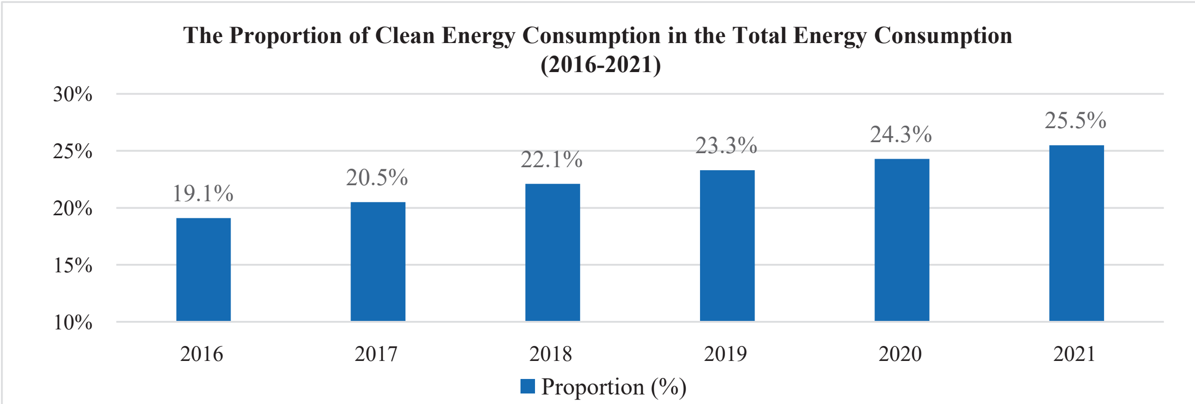
Overview of the Solar Power Market in the PRC

As a result of the economic uptrend in previous years, the PRC has been establishing an increasingly diversified energy portfolio and has been shifting the centric of energy sources to clean and renewable energy. Also, with the increase in the per capita disposable income and the improvement in living standard, the energy demand in PRC has been increasing. According to the National Bureau of Statistics of China, the per capita average annual disposable income in the PRC reached RMB35,128 in 2021 from RMB23,821 in 2016, representing a compounded annual growth rate ("**CAGR**") of 8.1% across the period. The increase in disposable income leads to the increase in energy consumption. Among all energy category, clean energy including solar energy is taking more important role in the overall energy portfolio. According to National Bureau of Statistics of China, the proportion of clean energy consumption in the total consumption has increased gradually from 19.1% in 2016 to 25.5% in 2021.

The increase in the consumption of clean energy was supported by government's policies. To tackle the air pollution problems and provide more sustainable energy source, the PRC government announced a series of energy-related policies that appear to lay out the basic framework for the 14th Five-Year Plan to promote the usage of renewable energy. They included a draft energy law, a draft policy on clean energy consumption, a target for 2020 renewable energy capacity, and updated policies and guidance on provincial coal plant approvals. For example, the new energy law clearly stating that renewable energy has priority for development in China's energy system.

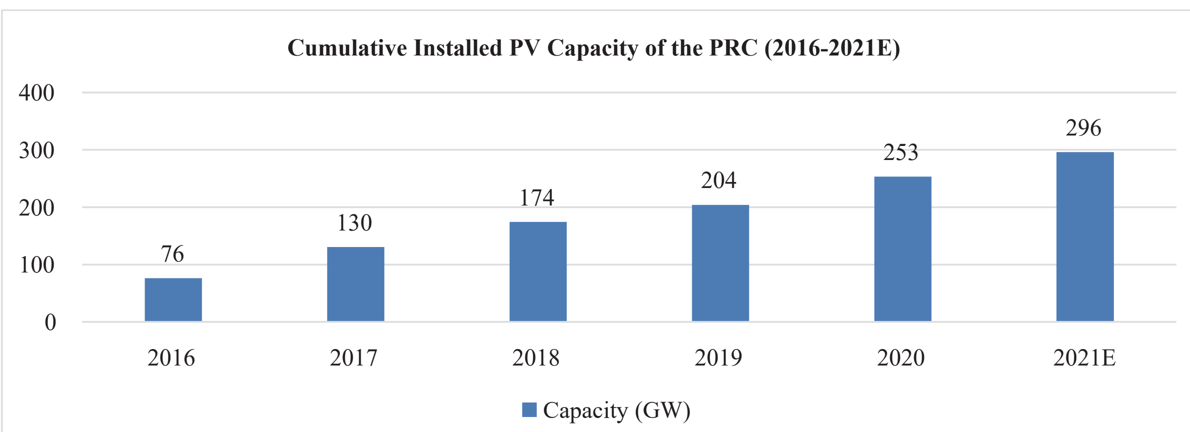


(Source: National Bureau of Statistics of China)



(Source: National Bureau of Statistics of China)

Along the industrial chain of the solar business, the downstream of the solar industry is mainly referring to the generation of solar power. According to the National Energy Administration of China ("**NEA**"), the solar industry has grown rapidly and China has become the largest producer of solar power in the world. The cumulative installed photovoltaic ("**PV**") capacity of the PRC attained 253 gigawatts ("**GW**") in 2020 from 76 GW in 2016, and is expected to increase to 296GW in 2021, representing a CAGR of 31.3% since 2016.



(Source: National Energy Administration of China)

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).

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 (the "**Management**").

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 and the financial projection of the Target (the "**Projection**") as of 31 December 2021 provided by the Management, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

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 projections and 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 Target will be operated with the corporate structure and operation model as projected by the Management;
- The financial and operating results of the Target;
- The economic outlook in general and the specific economic and competitive elements affecting the Target's business, their industry and their market;
- The nature and prospects of the industry of the Target is operating;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- The stage of development of the Target's operation; and
- The business risks of the Target.

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

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the countries that the Target is operating;

- There will be no major changes in the current taxation law in the countries that the Target is operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing;

- The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the Management;

- The availability of finance will not be a constraint on the forecast growth of the Target's operation in accordance with the Projection;

- The Target will retain and have competent management, key personnel, and technical staff to support its ongoing operation; and

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

VALUATION APPROACH

General Valuation Approaches

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

Income Approach	The Income Approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for Income Approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.
Asset Based Approach	The Asset Based Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

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

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

Selected Valuation Approach

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

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

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Due to the uniqueness of location, different remaining economic lives of the Target and the limited sample size, we have not identified sufficient market transactions or public listed companies directly comparable to the Target. Hence, the market approach is only adopted for cross-checking to the valuation result of Income Approach.

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

Income Approach

DCF method of Income Approach was adopted to appraise the fair value of the business enterprise of the Target. The business enterprise value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

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

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

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

(1) Projection Period

Projection period was determined based on the respective economic useful life of the Target, which is estimated to be 25 years since the launch of the solar power plant in accordance with the respective feasibility studies of the Target. As the Target was first launched on 6 February 2015 and its economic useful life is 25 years, the projection in the valuation model ends in January 2040. Feed-in tariff ("**FIT**") will be applied to solar power industry for 20 years since the operation commencement date of the power plant. On the other hand, the Target is projected to have positive earnings before interests, taxes, depreciation and amortization expenses ("**EBITDA**") subsequent to the end of tariff subsidy period. Thus, the projection period covers the entire operation period from the Valuation Date to the end of the respective economic useful lives of the solar power plants as suggested by the feasibility studies.

(2) Revenue

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

Electricity tariff

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

Since the FIT is fixed and guaranteed by the government, the Management projected the FIT at constant level for 20 years since the commencement of the respective projects. For the on-grid electricity tariff, it is projected based on the actual historical on-grid electricity tariff received from local government.

Power generation output

Power output generated is mainly attributed by the power capacity of the Target, which is 70MWh. The actual power generation output also depends on (i) the effective power generation hours per annum and (ii) the efficiency of the PV system.

The effective power generation hours are closely related to the insolation duration and the restriction of the power generation imposed by local government. The Management projected the insolation duration based on the actual historical data and assumed it to be constant throughout the projection period. For restriction from local government, considering that the restriction from the government had been decreasing since 2016, the Management expected the government restriction will be gradually reduced to zero from 2024 onwards. Therefore, the effective power generation hours are expected to have certain improvements in 2022 and 2023, then remain constant throughout the projection period.

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

The revenue of the Target in 2021 is RMB59.0 million while the forecasted revenue in 2022 is RMB62.7 million. The difference is attributed to the one-off revenue adjustment of RMB3.6 million due to assessment penalty from the government in 2021.

Throughout the projection period, the revenue increases by 0.9% in 2023 and 2024 due to the slight increase in expected power generation (which is still within the maximum capacity of 70 MWh), and then decrease gradually by range of 0.1% to 0.9% due to the annual deterioration of power plant efficiency as a result of the forecasted degradation of the facilities. After the end of FIT for 20 years, the revenue will drop significantly by around 70% in 2035 as only on-grid electricity tariff will be received from local government.

(3) Operating Expenses

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

The operating expenses of the Target in 2021 is RMB36.7 million while the forecasted operating expenses in 2022 is RMB37.3 million. The difference is attributed to the one-off land use tax adjustment in 2021 of RMB0.9 million.

Throughout the projection period, the operating expenses (other than depreciation and amortization expenses) increase by a range of 0.41% to 0.59% each year due to expected inflation of certain expenses. Depreciation and amortization expenses are projected in the range of RMB30.1 million to RMB31.8 million from 2022 to 2035, and expected for a drop in 2036 due to fully depreciation of certain assets by that year.

(4) Interest Expenses

Interest expense mainly refers to the interest payment arising from the borrowings of the Target. According to the Management, since the borrowings are shareholder loan and will be waived once the transaction completed, therefore no interest expenses are projected in the projection period.

(5) Tax expenses

The corporate income tax is 25% in the PRC. According to the Enterprise Income Tax Law in the PRC, as the Target is classified as clean energy enterprise, the income earned shall be allowed for tax exemptions for the first to third years and a 50% tax discount for the fourth to sixth years since operation commencement.

(6) Capital Expenditure

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

(7) Working Capital

Working capital of the Target mainly includes account receivable (in relation to the FIT and on-grid electricity tariff), account payable and tax payable. The working capital balance is projected based on the expected turnover days, while the increase or decrease in working capital reflects the annual changes in working capital balance throughout the projection period.

The account receivable turnover days is expected to decrease from FY2022 to FY2024 as the management expects the government will settle the long-outstanding FIT receivables in two years. These lead to working capital inflow during the first three years of the projection period. After that, it is expected the FIT will be settled annually. For the tax payable, land use tax is expected to be settled annually while corporate income tax is expected to be settled quarterly.

Discount Rate

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

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

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

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

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

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2021	Unlevered Beta
1)	Solargiga Energy Holdings Limited	SEHK: 757	Solargiga Energy Holdings Limited, an investment holding company, engages in the manufacture, processing, and trading of polysilicon, monocrystalline, and multicrystalline silicon solar ingots and wafers in the PRC. The company also manufactures and trades in monocrystalline silicon solar cells and photovoltaic modules; installs photovoltaic systems; and constructs and operates photovoltaic power plants. In addition, it manufactures and trades in electronic semiconductor materials.	RMB 1,124mm	0.21
2)	Xinyi Solar Holdings Limited	SEHK: 968	Xinyi Solar Holdings Limited, an investment holding company, produces and sells solar glass products in the PRC, Malaysia, and internationally. It operates through three segments: sales of solar glass; solar farm business; and engineering, procurement and construction services. The company offers double glass modules, ultraclear patterned glasses, back glasses, and AR photovoltaic glasses. It also develops and operates solar farms; and provides engineering, procurement, and construction services.	HKD 117,536mm	0.91
3)	GCL New Energy Holdings Limited	SEHK: 451	GCL New Energy Holdings Limited, an investment holding company, develops, constructs, operates, and manages solar power plants in the PRC, Japan, the United States, and internationally.	RMB 4,086mm	0.12

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2021	Unlevered Beta
4)	Kong Sun Holdings Limited	SEHK: 295	Kong Sun Holdings Limited, an investment holding company, invests in, operates, and maintains solar power plants in the PRC. The company operates in four segments: solar power plants, liquefied natural gas, financial services, and other segments. It generates and sells solar electricity and life-like plants. The company also trades in liquefied natural gas and solar energy related products; provides various loans; and leases properties.	RMB 744mm	0.10
5)	GCL-Poly Energy Holdings Limited	SEHK: 3800	GCL-Poly Energy Holdings Limited operates as a solar photovoltaic company in the PRC and internationally. It operates through three segments: solar material business, solar farm business, and new energy business. The solar material business segment primarily manufactures and sells polysilicon raw materials and silicon wafers. The solar farm business segment operates and manages solar farms in the United States and the PRC. The new energy business segment develops, constructs, operates, and manages solar farms.	RMB 62,477mm	0.18
6)	Comtec Solar Systems Group Limited	SEHK: 712	Comtec Solar Systems Group Limited, an investment holding company, researches, produces, and sells monocrystalline solar wafers and ingots in the PRC and Malaysia. The company also invests in, develops, constructs, and operates solar photovoltaic power stations; and researches and develops, designs, integrates, and sells lithium battery management and battery systems. In addition, it trades in solar related parts, equipment, and products; and engages in the generation of solar power.	RMB 228mm	0.33

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2021	Unlevered Beta
7)	LongiTech Smart Energy Holding Limited	SEHK: 1281	LongiTech Smart Energy Holding Limited, together with its subsidiaries, engages in smart and solar energy, and public infrastructure construction businesses in the PRC. The company offers smart energy comprehensive utilization services. It also engages in distributed solar power plant business comprising operation of industrial and commercial distributed power stations, and home photovoltaic systems. In addition, the company invests in and operates a power distribution grid and an urban centralized heat supply project.	RMB 181mm	0.45
8)	Beijing Enterprises Clean Energy Group Limited	SEHK: 1250	Beijing Enterprises Clean Energy Group Limited engages in the investment, development, construction, operation, and management of photovoltaic power plants in the PRC. The company develops and constructs distributed photovoltaic power stations; and provides engineering, procurement, construction, and technical consultancy services for photovoltaic and wind power-related projects, and clean heat supply projects, as well as trades in equipment related to photovoltaic power business. It also engages in the infrastructure development and operation of wind power plants and clean energy projects, as well as in the property investment business.	HKD 6,162mm	0.52
9)	Shunfeng International Clean Energy Limited	SEHK: 1165	Shunfeng International Clean Energy Limited is principally engaged in the provision of clean energy and low-carbon energy-saving integrated solutions businesses. The Company operates through four business segments: photovoltaic systems (PV systems) and related products segment, solar power generation segment, solar plant operation and services segment, as well as manufacturing and sales of light-emitting diode (LED) products segment.	RMB 317mm	0.10

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2021	Unlevered Beta
10)	Concord New Energy Group Limited	SEHK: 182	Concord New Energy Group Limited, an investment holding company, engages in the power generation business in the PRC, the United States, and Hong Kong. It is involved in the investment, engineering, procurement, construction, operation, and maintenance of wind and solar power plants; and provision of technical and consultancy services. The company also engages in the sale of solar and new energy equipment; design, research, and exploitation of power systems; leasing of equipment; and investment and operation of solar and wind power plants. In addition, it provides finance lease services and energy Internet services.	RMB 5,963mm	0.24
11)	Beijing Energy International Holding Co., Ltd.	SEHK: 686	Beijing Energy International Holding Co., Ltd., an investment holding company, engages in the investment, development, operation, and management of solar and other renewable energy power plants in the PRC and the United Kingdom. The company is also involved in the design and installation of solar power systems; and research and development of solar power products and solar technology. In addition, it holds development rights for hydropower and solar projects.	RMB 5,390mm	0.12

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2021	Unlevered Beta
12)	China Shuifa Singyes Solar Technologies Holdings Limited	SEHK: 750	China Shuifa Singyes Solar Technologies Holdings Limited, an investment holding company, designs, fabricates, and installs conventional curtain walls and solar projects in the PRC, Oceania, Macau, Malaysia, Hong Kong, Africa, and internationally. Its solar projects include building integrated photovoltaic systems, roof top solar systems, and ground mounted solar systems. The company also manufactures and sells renewable energy goods. In addition, it engages in the development of new energy materials and marine biology technology; research and development of energy- saving products; research and development of electricity and new energy; provision of construction design services; and research, construction, and operation of solar power station.	RMB 3,615mm	0.22
13)	China Everbright Greentech Limited	SEHK: 1257	China Everbright Greentech Limited, an investment holding company, engages in the design, construction, operation, and maintenance of integrated biomass and waste-to-energy projects in China. It is involved in the construction and operation of biomass direct combustion power generation projects, biomass heat supply projects, biomass electricity and heat cogeneration projects, waste-to-energy projects, and integrated biomass and waste-to-energy projects; and hazardous waste landfill projects, hazardous waste incineration projects, and physicochemical and resources recycling projects.	RMB 6,054mm	0.58

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

Ke= Rf + β(ERP) + PSP

Where

Ke	=	Required return on equity			
Rf	=	Risk-free rate of return	=	2.78%	The Rf is based on the yield of long-term China government bond as of the Valuation Date.
β	=	Unlevered Beta	=	0.32	Beta is a measure of the relationship between industry risk and the aggregate market. Unlevered beta is based on the averaged of the betas of the selected comparable companies unlevered in all-equity scenario, sourced from S&P Capital IQ database.
ERP	=	Equity risk premium	=	6.26%	The ERP is the expected return of the market (Rm) in excess of the risk free rate (Rf), or, is based on US equity risk premium plus the country risk premium in the PRC, based on research report published by Aswath Damodaran in July 2020.
PSP	=	Project specific risk premium	=	2.00%	Based on professional judgement with a number of qualitative factors being considered to derive the project specific risk premium, including but not limited to: (i) the mature level difference as the Target is unlisted compared with the selected comparable companies which are listed in public stock markets (represented by 1% premium); and (ii) there are uncertainties on sustaining the future growth based on the forecasted financials, such as the uncertainties on the on-grid electricity tariff and the effective power generation hours per annum throughout the projection period (represented by 1% premium). The respective premium is estimated based on our professional judgment, in which we consider the overall discount rate not unreasonable based on our market research below.

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

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

Adjustment of Tax Shield on Interest Expenses Attributable to the Loan Outstanding

As the Asset Discount Rate is adopted in discounting the free cash flow under the APV method, the resulting value will only have represented under the level that is fully financed by equity. An adjustment was made by adding the present value of tax shield benefit to the resulting value. However, according to the Management, since the borrowings will be waived once the transaction completed, therefore no interest expenses are projected in the projection period and no adjustment of tax shield is necessary.

Lack of Marketability Discount ("LOMD")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the shares of the Target is unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interests in the Target is not readily marketable. However, the discount rate adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such discount rate, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report "Stout Restricted Stock Study Companion Guide (2020 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a median 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 is a group of privately held companies.

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

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

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

Business Enterprise Value indicated by the income approach

Based on the aforementioned key assumptions and discount rates, the result of the business enterprise value of the Target was derived at approximately RMB 497 million. For details, please refer to below illustration:

As of 31 December 2021 *(RMB'000 unless otherwise specified)* **Year/Period ending**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2025**	**31 Dec 2026**	**31 Dec 2027...**	**31 Dec 2031...**	**31 Dec 2034...**	**31 Dec 2037...**	**31 Jan 2040**
Revenue *(note 1 & 2)*	62,724	63,277	63,835	63,759	63,689	63,302	61,061	59,380	15,184	1,228
Growth Rate	*6.3%*	*0.9%*	*0.9%*	*–0.1%*	*–0.1%*	*–0.6%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Breakdown by Entities:										
Pu Xin Cheng Da	62,724	63,277	63,835	63,759	63,689	63,302	61,061	59,380	15,184	1,228
Less: Operating Expenses	(37,333)	(37,472)	(37,616)	(37,763)	(37,914)	(38,069)	(38,740)	(39,298)	(9,423)	(797)
Breakdown by Entities:										
Pu Xin Cheng Da	(37,333)	(37,472)	(37,616)	(37,763)	(37,914)	(38,069)	(38,740)	(39,298)	(9,423)	(797)
Profit Before Tax	**25,391**	**25,805**	**26,218**	**25,996**	**25,775**	**25,232**	**22,321**	**20,082**	**5,761**	**432**
Less: Income Tax Expense	(3,809)	(3,871)	(3,933)	(3,899)	(3,866)	(3,785)	(3,348)	(3,012)	0	0
Net Profit	**21,582**	**21,934**	**22,286**	**22,097**	**21,909**	**21,447**	**18,973**	**17,070**	**5,761**	**432**
Adjustment:										
Add: Depreciation & Amortization	30,147	30,257	30,371	30,487	30,608	30,732	31,265	31,709	1,709	142
Less: Capital Expenditure	(2,168)	(2,233)	(2,300)	(2,369)	(2,440)	(2,513)	(2,829)	(3,091)	–	–
Add: Decrease/(Increase) in Working Capital	101,693	17,149	23,516	392	392	385	380	379	(1)	(2,963)
Free Cash Flow to Enterprise	**151,255**	**67,107**	**73,872**	**50,607**	**50,469**	**50,050**	**47,789**	**46,066**	**7,469**	**(2,389)**
Cumulative Free Cash Flow to Enterprise	151,255	218,362	292,234	342,841	393,310	443,360	657,422	810,411	892,819	917,966

As of 31 December 2021
(RMB'000 unless otherwise specified)

Discount Rate		**7.0%**
Discounted Free Cash Flow Value		**589,932**
Adjustment of Tax Shield Benefit		**–**
Business Enterprise Value (Before LOMD)		**589,932**
Less: LOMD	*15.8%*	**(93,209)**
Business Enterprise Value (After LOMD)		**496,723**

Note 1: Power Generation Output (MWH) ('000) **Year/Period ending**	**31 Dec 2022 Forecast**	**31 Dec 2023 Forecast**	**31 Dec 2024 Forecast**	**31 Dec 2025 Forecast**	**31 Dec 2026 Forecast**	**31 Dec 2027 Forecast**	**31 Dec 2031 Forecast**	**31 Dec 2034 Forecast**	**31 Dec 2037 Forecast**	**31 Jan 2040 Forecast**
Pu Xin Cheng Da	77,055	77,181	77,295	76,628	75,962	75,296	72,630	70,631	68,632	5,553
Growth Rate (year-on-year)		*0.2%*	*0.1%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*

Note 2: Average Electricity Tariff (RMB) **Year/Period ending**	**31 Dec 2022 Forecast**	**31 Dec 2023 Forecast**	**31 Dec 2024 Forecast**	**31 Dec 2025 Forecast**	**31 Dec 2026 Forecast**	**31 Dec 2027 Forecast**	**31 Dec 2031 Forecast**	**31 Dec 2034 Forecast**	**31 Dec 2037 Forecast**	**31 Jan 2040 Forecast**
Pu Xin Cheng Da	0.81	0.82	0.83	0.83	0.84	0.84	0.84	0.84	0.22	0.22

MARKET APPROACH – COMPARABLE COMPANIES METHOD

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

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

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

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

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

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

Since there is a comparable company which has less than 3 years' listing period (being one of the selection criteria for matching with the Beta estimation period), it is included as comparable companies under market approach but not in computation of the Beta. Details of the 14 selected comparable companies are listed as follows:

#	Company Name	Stock Code	Business Description
1)	Solargiga Energy Holdings Limited	SEHK:757	Solargiga Energy Holdings Limited, an investment holding company, engages in the manufacture, processing, and trading of polysilicon, monocrystalline, and multicrystalline silicon solar ingots and wafers in the PRC. The company also manufactures and trades in monocrystalline silicon solar cells and photovoltaic modules; installs photovoltaic systems; and constructs and operates photovoltaic power plants. In addition, it manufactures and trades in electronic semiconductor materials.
2)	Xinyi Solar Holdings Limited	SEHK:968	Xinyi Solar Holdings Limited, an investment holding company, produces and sells solar glass products in the PRC, Malaysia, and internationally. It operates through three segments: sales of solar glass; solar farm business; and engineering, procurement and construction services. The company offers double glass modules, ultraclear patterned glasses, back glasses, and AR photovoltaic glasses. It also develops and operates solar farms; and provides engineering, procurement, and construction services.
3)	GCL New Energy Holdings Limited	SEHK:451	GCL New Energy Holdings Limited, an investment holding company, develops, constructs, operates, and manages solar power plants in the PRC, Japan, the United States, and internationally.
4)	Kong Sun Holdings Limited	SEHK:295	Kong Sun Holdings Limited, an investment holding company, invests in, operates, and maintains solar power plants in the PRC. The company operates in four segments: solar power plants, liquefied natural gas, financial services, and other segments. It generates and sells solar electricity and life-like plants. The company also trades in liquefied natural gas and solar energy related products; provides various loans; and leases properties.
5)	GCL-Poly Energy Holdings Limited	SEHK:3800	GCL-Poly Energy Holdings Limited operates as a solar photovoltaic company in the PRC and internationally. It operates through three segments: solar material business, solar farm business, and new energy business. The solar material business segment primarily manufactures and sells polysilicon raw materials and silicon wafers. The solar farm business segment operates and manages solar farms located in the United States and the PRC. The new energy business segment develops, constructs, operates, and manages solar farms.

#	Company Name	Stock Code	Business Description
6)	Comtec Solar Systems Group Limited	SEHK:712	Comtec Solar Systems Group Limited, an investment holding company, researches, produces, and sells monocrystalline solar wafers and ingots in the PRC and Malaysia. The company also invests in, develops, constructs, and operates solar photovoltaic power stations; and researches and develops, designs, integrates, and sells lithium battery management and battery systems. In addition, it trades in solar related parts, equipment, and products; and engages in the generation of solar power.
7)	LongiTech Smart Energy Holding Limited	SEHK:1281	LongiTech Smart Energy Holding Limited, together with its subsidiaries, engages in smart and solar energy, and public infrastructure construction businesses in the PRC. The company offers smart energy comprehensive utilization services. It also engages in distributed solar power plant business comprising operation of industrial and commercial distributed power stations, and home photovoltaic systems. In addition, the company invests in and operates a power distribution grid and an urban centralized heat supply project.
8)	Beijing Enterprises Clean Energy Group Limited	SEHK:1250	Beijing Enterprises Clean Energy Group Limited engages in the investment, development, construction, operation, and management of photovoltaic power plants in the PRC. The company develops and constructs distributed photovoltaic power stations; and provides engineering, procurement, construction, and technical consultancy services for photovoltaic and wind power-related projects, and clean heat supply projects, as well as trades in equipment related to photovoltaic power business. It also engages in the infrastructure development and operation of wind power plants and clean energy projects, as well as in the property investment business.
9)	Shunfeng International Clean Energy Limited	SEHK:1165	Shunfeng International Clean Energy Limited is principally engaged in the provision of clean energy and low-carbon energy-saving integrated solutions businesses. The Company operates through four business segments: photovoltaic systems (PV systems) and related products segment, solar power generation segment, solar plant operation and services segment, as well as manufacturing and sales of light-emitting diode (LED) products segment.

#	Company Name	Stock Code	Business Description
10)	Concord New Energy Group Limited	SEHK:182	Concord New Energy Group Limited, an investment holding company, engages in the power generation business in the PRC, the United States, and Hong Kong. It is involved in the investment, engineering, procurement, construction, operation, and maintenance of wind and solar power plants; and provision of technical and consultancy services. The company also engages in the sale of solar and new energy equipment; design, research, and exploitation of power systems; leasing of equipment; and investment and operation of solar and wind power plants. In addition, it provides finance lease services and energy Internet services.
11)	Beijing Energy International Holding Co., Ltd.	SEHK:686	Beijing Energy International Holding Co., Ltd., an investment holding company, engages in the investment, development, operation, and management of solar and other renewable energy power plants in the PRC and the United Kingdom. The company is also involved in the design and installation of solar power systems; and research and development of solar power products and solar technology. In addition, it holds development rights for hydropower and solar projects.
12)	China Shuifa Singyes Solar Technologies Holdings Limited	SEHK:750	China Shuifa Singyes Solar Technologies Holdings Limited, an investment holding company, designs, fabricates, and installs conventional curtain walls and solar projects in the PRC, Oceania, Macau, Malaysia, Hong Kong, Africa, and internationally. Its solar projects include building integrated photovoltaic systems, roof top solar systems, and ground mounted solar systems. The company also manufactures and sells renewable energy goods. In addition, it engages in the development of new energy materials and marine biology technology; research and development of energy- saving products; research and development of electricity and new energy; provision of construction design services; and research, construction, and operation of solar power station.
13)	Xinyi Energy Holdings Limited	SEHK:3868	Xinyi Energy Holdings Limited, an investment holding company, owns, operates, and manages solar farms in China. It sells electricity to the State grid. The company was incorporated in 2015 and is based in Wuhu, China. Xinyi Energy Holdings Limited is a subsidiary of Xinyi Solar Holdings Limited.

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

Source: S&P Capital IQ

As all the above comparable companies are engaged in development or/and operation of solar power plants, these comparable companies, together with the Target, is considered to be similarly subject to fluctuations in the economy and performance of the solar industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for cross-checking the valuation result of the Target, 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/E multiple is not adopted as different companies might possess different tax exposure and the tax effect on earnings of the comparable companies should be eliminated.

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

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

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

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. Enterprise value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

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

No.	**Company Name**	**Reporting Currency** *(in mm)*	**Market Capitalization as of 31 December 2021**	**Enterprise Value as of 31 December 2021**	**EBITDA**[1]	**EV/EBITDA Before LOMD and Control Premium**	**EV/EBITDA After LOMD and Control Premium**
1	Solargiga	RMB	1,124	3,371	518	6.5	7.0
2	Xinyi Solar	HKD	117,536	119,713	8,997	13.3	14.3
3	GCL	RMB	4,086	20,411	3,051	6.7	7.2
4	Kong Sun	RMB	744	6,539	760	8.6	9.2
5	GCL-Poly	RMB	62,477	86,489	5,456	15.9	17
6	Comtec Solar	RMB	228	434	(15)	N/A	N/A
7	LongiTech	RMB	181	192	56	3.4	3.7
8	Beijing Enterprises	HKD	6,162	39,563	3,393	11.7	12.5
9	Shunfeng	RMB	317	10,103	645	15.7	16.8
10	Concord	RMB	5,963	13,293	1,378	9.6	10.3
11	Beijing Energy	RMB	5,390	27,341	2,041	13.4	14.3
12	China Singyes	RMB	3,615	8,573	326	26.3	28.2
13	Xinyi	HKD	30,360	33,649	1,872	18.0	19.3
14	China Everbright	HKD	6,054	23,066	3,267	7.1	7.6
	Maximum						28.2
	Minimum						3.7
	Median						12.5
	Average						12.9
	Lack of Marketability Discount ("LOMD") [2]						15.8%
	Control Premium [3]						27.2%

	(RMB'million)
Indicated business enterprise value of the Target by Income Approach	496.72
2021 EBITDA of the Target	52.46
Implied EV/EBITDA multiple of the Target	9.47

As derived under the APV methodology, the implied EV/EBITDA multiple of the Target was equal to 9.47x. Although the multiple is lower than the median and mean of the comparable companies (12.49x and 12.86x respectively as illustrated above), considering the comparable companies are under an assumption of perpetual life while the Target are with discrete definite life, such slight discount is considered to be not unreasonable. Since the resulting multiple of the Target is still within the market range of the comparable companies, it helped in supporting the reasonableness of the result derived in Income Approach.

Notes:

(1) Data sourced from S&P Capital IQ database. The equity values and enterprise values of the comparable companies are computed based on the market capitalization of the companies as of 31 December 2021. EBITDA data are based on the latest financial data of the comparable companies available as of the Valuation Date.

(2) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report "Stout Restricted Stock Study Companion Guide (2020 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a median 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 is a privately held company.

(3) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target's shares. The report "Control Premium Study: 4rd Quarter 2021" by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium is 27.2%. A control premium of 24.8% is considered appropriate and suitable for this valuation as we understand that the Company intends to dispose a controlling stake in the Target.

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

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

Combining the adjustments on LOMD and control premium,

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

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair value of the business enterprise of the Target as of the Valuation Date is RMB 497 million.

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

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

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

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

Analysed and Reported by:
Leo K W Hung
CPA(HK)
Associate Director

Amber Y Y Ma
Senior Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of 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.

Date: 4 July 2022

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 4 July 2022 (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 16 June 2022 (the "**Valuation Report**") issued by AVISTA Valuation Advisory Limited (the "**Valuer**") regarding the Valuation regarding the business enterprise of Xinjiang Pu Xin Cheng Da as at 31 December 2021, which constitutes a profit forecast (the "**Profit Forecast**") as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the letter dated 4 July 2022 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

The following is the text of the independent assurance report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong

中汇 ZHONGHUI

26 October 2022

The Board of Directors
Shunfeng International Clean Energy Limited
Portion C, 30/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Dear Sirs,

We have examined the calculations of the discounted future cash flows (the "Forecast") underlying the valuation (the "Valuation") of the business enterprise value of Xinjiang Pu Xin Cheng Da Energy Technology Limited（新疆普新誠達能源科技有限公司）("Xinjiang Pu Xin Cheng Da") performed by AVISTA Valuation Advisory Limited (the "Valuer") in respect of the appraisal of the fair value of Xinjiang Pu Xin Cheng Da as at the reference date of 31 December 2021 in connection with the circular of Shunfeng International Clean Energy Limited (the "Company") dated 26 October 2022 (the "Circular"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITIES

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "Assumptions").

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 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' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors and as to whether the Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. 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.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

OPINION

In our opinion, so far as calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in Appendix V of the Circular.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DIRECTORS' INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

Name of Directors/ chief executives	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of issued Shares
Wang Yu	Beneficial owner	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 2021, the date of which the latest published audited financial statements of the Group were made up.

(c) Service contract

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

(d) Other disclosures under the SFO

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

(e) Competing interests

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

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

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

Name of Shareholders	Capacity	Number of Shares interested *(Note 8)*	Approximate percentage of issued Shares
Peace Link	Beneficial owner *(Note 1)*	2,459,859,467 (L)	49.37%
Asia Pacific Resources	Beneficial owner and interest of controlled corporation *(Note 2)*	2,535,416,658 (L)	50.89%
Mr. Cheng	Beneficial owner and interest of controlled corporation *(Note 3)*	2,538,868,658 (L)	50.96%
Faithsmart Limited	Interest of controlled corporation *(Note 4)*	2,535,416,658 (L)	50.89%
Mr. Tang Guoqiang	Interest of controlled corporation *(Note 5)*	392,968,898 (L)	7.89%
Bank of Communications Co., Ltd	Persons having a security interest in shares *(Note 6)*	495,968,457 (L)	9.95%
BOCOM International Holdings Company Limited	Persons having a security interest in share *(Note 7)*	495,968,457(L)	9.95%

Note:

1. Peace Link is wholly owned by Asia Pacific Resources, which is in turn wholly owned by Faithsmart Limited, which is in turn wholly owned by Mr. Cheng. As at the Latest Practicable Date. Peace Link held 1,241,234,101 Shares in its personal capacity.

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

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

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

5. 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 242,967,960 Shares held by Coherent Gallery International Limited for the purpose of the SFO.

6. Bank of Communications Co., Ltd. enforced its right in 495,968,457 Shares it held by way of security as a lender on 25 November 2020.

7. BOCOM International Holdings Company Limited enforced its right in 495,968,457 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 which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualifications
BDO Limited	Certified Public Accountants and Registered Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Zhonghui Anda CPA Limited	Certified Public Accountants and Registered Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
AVISTA Valuation Advisory Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of the references to its name and/or its opinion or statements in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

As disclosed in the Company's announcement dated 18 July 2022, BDO resigned as the auditor of the Company with effect from 18 July 2022. The Board has approved the appointment of Zhonghui with effect from 18 July 2022 as the new auditor of the Company, to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

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

(i) the sale and purchase agreement dated 31 December 2020 entered into between Lattice Power (as the vendor) and Nanchang Guanggu Group Limited, pursuant to which the vendor conditionally agreed to sell, and Nanchang Guanggu Group Limited conditionally agreed to purchase, the equity interest in Lattice Power (Jiangxi) Co., Ltd at an aggregate consideration of RMB670 million;

(ii) the 7 sale and purchase agreements dated 13 August 2021 entered into between Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde as the vendors and China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd as the purchaser in relation to the sale and purchase of the 2021 First Disposal Subject Companies with the consideration including cash payment of RMB138.2 million and repayment of relevant payables of RMB399.4 million (subject to adjustment to the relevant payables). As disclosed in the Company's announcement on 21 September 2022, 4 of the sale and purchase agreements were terminated on 21 September 2022;

(iii) the 2 sale and purchase agreements dated 24 September 2021 entered into between Hebei Zhenlong Electricity Equipment Technology Co., Ltd, Jiangsu Sanfeng Guanghua Investment Co., Ltd., and Shijiazhuang Huaiyuan New Energy Development Company Limited as the vendors and Zhonghe Huineng Co., Ltd. as the purchaser in relation to the sale and purchase of Hebei Sanlong Electricity Technology Co. Ltd. and Shangyi County Shunneng Photovoltaic Electricity Co., Ltd. at an aggregate consideration of RMB414.7;

(iv) the sale and purchase agreement dated 28 December 2021 entered into between Hebei Juge Photovoltaic Technology Co., Ltd as the vendor and Anhui Province Wanneng Energy Exchange Co., Ltd as the purchaser in relation to the sale and purchase of Yangyuan Juge Photovoltaic Technology Co., Ltd at an aggregate consideration of RMB14.4 million;

(v) the 4 sale and purchase agreements dated 30 December 2021 entered between Jiangxi Shunfeng, Shanghai Shunneng, and Shunfeng Photovoltaic Investments as the vendors and Xinjiang Silu as the purchaser in relation to the sale and purchase of 100% equity interests in Hainan Xinsheng, Tongwei Qiemo, Xinjiang Pu Xin Cheng Da and Xinjiang Tianli Enze, at an aggregate consideration of RMB889.6 million. The 4 sale and purchase agreements were terminated on 8 June 2021; and

(vi) the Sale and Purchase Agreement.

8. MISCELLANEOUS

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

9. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website and the Company's own website from the date of this circular up to and including the date of the EGM:

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

(ii) the Valuation Report; and

(iii) the written letters of consent referred to in the section headed "Experts' Qualifications and Consents" in this appendix.

10. GENERAL

(i) The company secretary of the Company is Mr. Lu Bin. Mr. Lu is an executive Director. Mr. Lu is a chartered accountant of the New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

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

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

順風國際清潔能源有限公司
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of Shunfeng International Clean Energy Limited (the "**Company**") will be held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 25 November 2022 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 26 October 2022 shall have the same meanings when used in this notice.

ORDINARY RESOLUTION

1. "**THAT**

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

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

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

Hong Kong, 26 October 2022

Notes:

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

2. In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 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 Tuesday, 22 November 2022 to Friday, 25 November 2022, 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 Monday, 21 November 2022.

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.