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 36 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 Thursday, 13 January 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.

24 December 2021

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

"2018 Disposal"	the previous very substantial disposal of the Company in relation to a sale and purchase agreement dated 10 December 2018, as disclosed in the Company's announcement dated 25 March 2019
"2019 Disposal"	the previous very substantial disposal of the Company in relation to 11 sale and purchase agreements dated 15 November 2019, as disclosed in the Company's announcement dated 26 November 2019
"2019 Disposal Purchaser"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 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 Disposals — 2019 Disposal" in this circular
"2019 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2019 Disposal" in this circular
"2020 Disposal"	the previous very substantial disposal of the Company in relation to 6 sale and purchase agreements dated 16 March 2020, as disclosed in the Company's announcement dated 18 March 2020
"2020 Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for and the benefits of Disposals — 2020 Disposal" in this circular
"2021 First Disposal"	the previous very substantial disposal of the Company in relation to 7 sale and purchase agreements dated 13 August 2021
"2021 First Subject Companies"	has the meaning ascribed to it in the section headed "Reasons for the benefits of Disposals — 2021 First 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 reporting accountant of the Company
"Board"	the board of Directors
"Business Day"	statutory working days in the PRC, excluding Saturdays, Sundays and statutory holidays

"Business Enterprise Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of Equity Consideration" in this circular
"Closing Audit"	the closing audit to be conducted by an audit firm engaged by the Purchaser on the Target Companies, which shall commence within 10 Business Days after the Completion Date and be completed within 20 Business Days
"Company"	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the relevant Sale and Purchase Agreement(s), including the completion of the registration of the transfer of the Target Equity Interests in the name of the Purchaser and the handover of documents and stamps of the Target Companies in accordance with the terms and conditions of the Sale and Purchase Agreements
"Completion Date"	the date of Completion
"Condition"	the condition specified under the Sale and Purchase Agreements as set out in the section headed "Sale and Purchase Agreements — Condition" in this circular
"Consideration"	the consideration payable in cash by the Purchaser to the relevant Vendor(s) for the Disposals under the terms of the Sale and Purchase Agreements as set out in the section headed "Sale and Purchase Agreements — Consideration and payment" in this circular
"Directors"	the directors of the Company
"Disposal(s)"	the disposal(s) of the Target Companies by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreements
"Disposals Announcement"	the announcement of the Company dated 6 October 2021 in relation to the Disposals
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposal(s) contemplated thereunder
"Equity Consideration"	the base consideration payable by the Purchaser to the relevant Vendor(s) for the transfer of the Target Equity Interests

"Estimated Value"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreements — Basis of Equity Consideration" in this circular
"Forced Sale"	has the meaning ascribed to it in the section headed "Information on the Parties — Information on the Group" in this circular
"Group"	the Company and its subsidiaries
"Hebei Juge"	Hebei Juge Photovoltaic Technology Co., Ltd* (河北聚格光電科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Hebei Sanlong"	Hebei Sanlong Electricity Technology Co. Ltd.* (河北三龍電力科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Hebei Sanlong SPA"	the sale and purchase agreement dated 24 September 2021 entered into between Jiangsu Sanfeng, Shijiazhuang Huaiyuan and the Purchaser in relation to the sale and purchase of the 100% of the equity interests in Hebei Sanlong
"Hebei Zhenlong"	Hebei Zhenlong Electricity Equipment Technology Co., Ltd* (河北臻龍電力設備科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a person who is not a connected person under Chapter 14A of the Listing Rules
"Jiangsu Sanfeng"	Jiangsu Sanfeng Guanghua Investment Co., Ltd.* (江蘇三豐光華投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Jiangxi Shunfeng"	Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Kangfu Leasing"	China Kangfu International Leasing Corporation* (中國康富國際租賃股份有限公司), a company incorporated under the laws of the PRC

"Latest Practicable Date"	20 December 2021, 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 by the Company 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 Stock Exchange
"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
"Payables to Shareholders"	the shareholders' loan owed by the Target Companies to the relevant Vendor(s) which shall be payable by the Target Companies to the relevant Vendor(s) after Completion
"Peace Link"	Peace Link Services Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and beneficially owned by Mr. Cheng, a substantial shareholder (as defined under the Listing Rules) of the Company
"percentage ratio"	has the meaning ascribed to it under the Listing Rules
"Post Disposal Remaining Group"	the Company and its subsidiaries after Completion assuming that the Disposals 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 Disposals" in this circular

"Profit Forecast"	has the meaning ascribed to it in the section headed "Valuation" in this circular
"Purchaser"	Zhonghe Huineng Co., Ltd.* (中核匯能有限公司), a company incorporated under the laws of the PRC with limited liability
"Remaining Business"	the business of the Post Disposal Remaining Group immediately after the Disposals, 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 Disposals — 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" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement(s)"	collectively, Hebei Sanlong SPA and Shangyi County Shunneng SPA, and each a "Sale and Purchase Agreement"
"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
"Shangyi County Shunneng"	Shangyi County Shunneng Photovoltaic Electricity Co., Ltd.* (尚義縣順能光伏電力有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Shangyi County Shunneng SPA"	the sale and purchase agreement dated 24 September 2021 entered into between Hebei Zhenlong and the Purchaser in relation to the sale and purchase of the 100% of the equity interests in Shangyi County Shunneng
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Shijiazhuang Huaiyuan"	Shijiazhuang Huaiyuan New Energy Development Company Limited* (石家莊懷遠新能源開發有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Holdings"	Shunfeng Photovoltaic Holdings Limited* (順風光電控股有限公司), a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company
"Shunfeng Photovoltaic Investments"	Shunfeng Photovoltaic Investments (China) Company Limited* (順風光電投資(中國)有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Sino Alliance"	Sino Alliance Capital Ltd., an Independent Third Party who had provided a loan facility to the Company in the amount of HK$2,500 million in December 2016
"Sino Alliance Facility"	the HK$2,500 million facility provided by Sino Alliance 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 Companies"	the target companies whose equity interests are to be transferred pursuant to the Sale and Purchase Agreements, being Hebei Sanlong and Shangyi County Shunneng, and each a "Target Company"
"Target Equity Interests"	the equity interest in the Target Companies as set out in the section headed "Sale and Purchase Agreements — Summary of Sale and Purchase Agreements" in this circular
"Third CB"	has the meaning ascribed to it in the section headed "Reasons for and benefits of Disposals — 2018 Disposal" in this circular
"Transfer Date"	the date that the registration of the transfer of the Target Equity Interests 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 the Target Companies, which is 31 December 2020

"Valuation Report"	has the meaning ascribed to it in the section headed "Sale and Purchase Agreement — Basis of Equity Consideration" in this circular
"Valuer"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendors"	the vendors of the equity interests under the Sale and Purchase Agreements, namely Hebei Zhenlong, Jiangsu Sanfeng and Shijiazhuang Huaiyuan (as the case may be)
"%"	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 RMB0.8179. 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:
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Grand Cayman, KY1-1111
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Principal place of business in Hong Kong:
Portion C, 30/F
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1 Garden Road
Central, Hong Kong

24 December 2021

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

Reference is made to the Disposals Announcement, in which it was announced that on 24 September 2021, the Vendor(s) entered into two Sale and Purchase Agreements with the Purchaser, pursuant to which the Vendor(s) have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Target Equity Interests respectively held by the Vendor(s), representing 100% of the equity interests in all of the Target Companies, at an aggregate Consideration of RMB414.7 million.

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

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

(ii) the financial and other information on the Group and the Target Companies;

(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 Agreements and the Disposals contemplated thereunder.

SALE AND PURCHASE AGREEMENTS

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

Date: 24 September 2021

Parties: (i) Hebei Zhenlong Electricity Equipment Technology Co., Ltd* (河北臻龍電力設備科技有限公司) (an indirect wholly-owned subsidiary of the Company)

(ii) Jiangsu Sanfeng Guanghua Investment Co., Ltd.* (江蘇三豐光華投資有限公司) (an indirect wholly-owned subsidiary of the Company)

(iii) Shijiazhuang Huaiyuan New Energy Development Company Limited* (石家莊懷遠新能源開發有限公司) (an indirect wholly-owned subsidiary of the Company)

(as the Vendor(s), individually or jointly, as the case maybe)

(iv) Zhonghe Huineng Co., Ltd.* (中核匯能有限公司)

(as the Purchaser)

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

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

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

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

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

(i) First tranche:

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

(a) after the execution of the relevant Sale and Purchase Agreement and the publication of the announcement dated 6 October 2021, the relevant Target Company and the Purchaser having signed a written agreement with Kangfu Leasing to release the share charges, pledge of electricity charges, charges on assets and shares frozen by the court (as the case may be), pursuant to which the Purchaser shall repay all the outstanding amounts owed by the relevant Target Company to Kangfu Leasing. This condition was satisfied on 19 December 2021;

(b) the relevant Target Company having received the written confirmation issued by its creditors on the amount of debts as specified in each Sale and Purchase Agreement. The aggregated amount of debts specified under the Hebei Sanlong SPA and the Shangyi County Shunneng SPA is RMB447,064,273.8 and RMB418,228,082.8, respectively. If such confirmation is not available, the Vendor(s) shall issue a written undertaking to settle the expenses and payments other than the disclosed debts (subject to the confirmation by the auditor of the Purchaser). The Company expects that this condition will be satisfied on or before 31 December 2021, upon which it will not be necessary for the Vendors to issue a written undertaking to settle the expenses and payments other than the disclosed debts;

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

The Purchaser notified the Vendors that, as the Purchaser has its own operation and maintenance team for the solar power plants, the Purchaser will no longer require the operation and maintenance services of Mintou after the Completion. The Purchaser's intention of setting the execution of the Supplemental Agreement as a payment condition was to set out the rights and obligations of the relevant Target Company and Mintou on the basis of the early termination of the Management Agreements up to the Completion Date. The Purchaser and the Target Companies have completed the future operation plan of the relevant Target Company within 15 Business Days after the signing of each Sale and Purchase Agreement and executed the Supplemental Agreement on 16 December 2021. The Supplemental Agreement sets out the agreed amount of services payable for November 2021, the expected amount of service fees payable for December 2021 and a daily service fee which shall be applicable to the period from 1 January 2022 to the Completion Date. Therefore, this payment condition has been satisfied.

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

(e) each Target Company having completed the registration of the transfer of the Target Equity Interests and having obtained a new business license. The Company expects that this condition will be satisfied within 10 Business Days after the date of the EGM, assuming the Shareholders approve the Disposals at the EGM; and

(f) the Vendor(s) and the Purchaser having signed and completed the steps set out in the handover checklist under each Sale and Purchase Agreement. The Company expects that this condition will be satisfied within 5 Business Days after satisfaction of condition (e) above,

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

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

(ii) Second tranche:

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

(iii) Third tranche:

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

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

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

(1) the business enterprise value of the Target Companies as at 31 December 2020 of approximately RMB948.25 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 total non-operating assets of the Target Companies of approximately RMB144.76 million according to the unaudited financial statements as at 31 December 2020, including but not limited to the value-added tax recoverable, other receivable and other non-current assets;

(3) the total non-operating liabilities of the Target Companies of approximately RMB936.60 million according to the unaudited financial statements as at 31 December 2020, including but not limited to bank and other borrowings and other payable of the Target Companies as at 31 December 2020.

Having considered the Business Enterprise Value in the Valuation Report (being item (1)) as one of the referencing factors for the determination of the Equity Consideration, and further considered the factors in items (2) to (3), the Board estimated the preliminary consideration for the transfer of the Target Equity Interest as approximately RMB156.41 million (the "**Estimated Value**"); and

(4) having considered the Estimated Value as the initial referencing basis of the Equity Consideration for negotiation with the Purchaser and upon rounds of arms' length commercial negotiation between the Vendors and the Purchaser taking into account, among other things, the bulk purchase of the Target Companies, an additional amount of approximately RMB13.59 million over the Estimated Value as agreed between the parties.

The table below sets out the valuation and basis of Equity Consideration of each Target Company:

Target Companies	**Business Enterprise Value** *(in RMB)*	**Non-operating Assets** *(in RMB)*	**Non-operating Liabilities** *(in RMB)*	**Premium/ (Discount)** *(in RMB)*	**Purchase Price** *(in RMB)*
Hebei Sanlong	496,891,000	69,819,000	(466,274,000)	(4,436,000)	96,000,000
Shangyi County Shunneng	451,361,000	74,938,000	(470,324,000)	18,025,000	74,000,000
Total	**948,252,000**	**144,757,000**	**(936,598,000)**	**13,589,000**	**170,000,000**

During the technical due diligence process, the Purchaser found that the solar power plant of Hebei Sanlong had a number of issues including the malfunctioning of communication of the combiner box, oil leakage in the box transfer and higher percentage of deficiency identified in the electroluminescent testing. After rounds of negotiation, Jiangsu Sanfeng and Shijiazhuang Huaiyuan (as vendors) and the Purchaser agreed for a lower Equity Consideration for the 100% equity interest of Hebei Sanlong on the basis that the remedial actions shall be performed by the Purchaser and Hebei Sanlong after the Completion at their own cost.

Pursuant to the Sale and Purchase Agreements, the profits or losses generated by the Target Companies after the Valuation Reference Date belong to the Purchaser. Therefore, the changes to the business enterprise value, the total non-operating assets or liabilities after the Valuation Reference Date (if any) will not be relevant to the calculation or assessment of the purchase price. As at the Latest Practicable Date, there has been no material change in the Business Enterprise Value, the non-operating assets and the non-operating liabilities of the Target Companies since the Valuation Reference Date.

Payables to Shareholders

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

(i) First tranche:

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

(ii) Second tranche:

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

The second tranche of the relevant Payables to Shareholders shall be the remaining shareholders' loan owed by the relevant Target Company to the relevant Vendor(s) as at the Completion Date, minus the first tranche (65%) of the relevant Payables to Shareholders paid to the relevant Vendor(s).

The total amount of the second tranche of the Payables to Shareholders is approximately RMB85.6 million (subject to the Closing Audit).

Repayment of third party debts:

The relevant Vendor(s) shall be responsible for any damages payable due to the default in payment of rental to Kangfu Leasing or performance of other agreements, any extra costs arising from early repayment of any debt and any other relevant costs (if any), unless provisions have been made for the costs which are agreed by the auditors appointed by the Purchaser. If the Purchaser or the relevant Target Company directly or indirect pays the above costs, the Purchaser or the relevant Target Company shall have the right to deduct such costs from the unpaid Equity Consideration or the Payables to Shareholders.

Remedies for payment defaults:	If the Purchaser or the relevant Target Company fails to perform its payment obligation, the Purchaser or the relevant Target Company shall be liable to pay damages to the relevant Vendor(s), which is equivalent to 8% of the overdue amount on an annual basis. The Purchaser shall transfer the relevant Target Equity Interests back to the relevant Vendor(s) and return all the documents and assets received from the relevant Vendor(s).
Condition:	Each Sale and Purchase Agreement shall only become effective upon having obtained the approvals from the relevant authority (including but not limited to the Stock Exchange and the Shareholders, if applicable).
Completion:	Completion is conditional upon satisfaction of the Condition as specified in each Sale and Purchase Agreement. Completion of the Sale and Purchase Agreements is not inter-conditional upon each other. The release of share charges and shares frozen by the court is also necessary before the transfer of the Target Equity Interests can be completed. Please refer to the section headed "The relationship between the Target Companies and Kangfu Leasing" below for further details. The Purchaser and the Vendors shall sign the equity transfer documents within 3 Business Days after satisfaction of the Condition. The Purchaser and the Vendors shall complete the procedure of transfer of the Target Equity Interests within 5 Business Days after the equity transfer documents are completed. The relevant Vendor(s) shall handover all documents of the relevant Target Company to the Purchaser within 5 Business Days after the Transfer Date.

The relationship between the Target Companies and Kangfu Leasing

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Kangfu Leasing is an Independent Third Party of the Group.

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

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

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

As at the Latest Practicable Date, each of Hebei Sanlong and Shangyi County Shunneng owed Kangfu Leasing approximately RMB258.39 million and approximately RMB304.55 million, respectively (including principal and interest).

The release of share charges, pledge of electricity charges, charges on assets and shares frozen by the court is included as a condition for the payment in order to ensure that the Purchaser will have control of the relevant Target Company and that the Target Companies will be free from encumbrances. The release of share charges and shares frozen by the court is also necessary before the transfer of the Target Equity Interests can be completed. The Company expects that such release will be completed on or before 31 December 2021.

VALUATION

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

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

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

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

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

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

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

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

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

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

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

REASONS FOR AND BENEFITS OF DISPOSALS

2018 Disposal, Previously Proposed Subscription, 2019 Disposal, 2020 Disposal, the Lattice Power Disposal and 2021 First 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 and RMB289.6 million in its 2021 interim report, respectively. As disclosed in the Company's 2019 annual report, 2020 annual report and 2021 interim report, the Group was in a negative net cash position of RMB8,563.7 million, RMB6,360.8 million and RMB6,467.7 million as at 31 December 2019, 31 December 2020 and 30 June 2021, respectively.

In light of the recurring financing needs of the Company (including the need to settle financial expenses), back in September 2018, the Company began to seek additional capital and contemplate possible disposals in its continued efforts to reduce the overall debt-to-equity level, including (i) the 2018 Disposal; (ii) the proposed subscription of subscription shares (the "**Previously Proposed Subscription**") as disclosed in the announcements of the Company dated 9 January 2019, 30 January 2019, 28 February 2019, 29 March 2019 and 31 March 2019; (iii) the 2019 Disposal; (iv) the 2020 Disposal; (v) the Lattice Power Disposal; and (vi) the 2021 First 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* (電子產業電子第十一設計研究院科技工程股份有限公司).

In relation to (b), an amount of RMB1,745 million shall be payable by Asia Pacific Resources within three months after the date of completion. As disclosed in note 52A (ii) to the consolidated financial statements in the 2019 Annual Report of the Company and note 50 (ii) to the consolidated financial statements in the 2020 Annual Report of the Company, the Company has entered into supplementary agreements with Asia Pacific Resources to extend the payment of the amount of RMB1,745 million to 31 December 2021. As at the Latest Practicable Date, the Company has received RMB92.5 million from Asia Pacific Resources, and pursuant to the terms of the sale and purchase agreement for the 2018 Disposal, the amount received has been used to repay the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group. The Company expects that the remaining consideration of RMB1,652.5 million will be received from Asia Pacific Resources prior to 31 December 2021. The Company expects that such amount will be utilised in accordance with the sale and purchase agreement for the 2018 Disposal as disclosed in the circular of the Company dated 30 June 2019. Further, as at the Latest Practicable Date, the relevant payables owed by Shunfeng Photovoltaic Investments to the Jiangsu Shunfeng Group was RMB1,585 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 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 RMB1,342.4 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 RMB217.9 million has been used to the Group's daily operation fees and professional fees. The Company expects that the remaining amount of RMB33.5 million will be received from the 2019 Disposal Purchaser prior to 31 May 2022 which will be used to repay the Group's debt owed to the bondholders of the 2015 Corporate Bond, 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 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 28 February 2022 which will be used to repay the Group's debt owed to the bondholders of the 2015 Corporate Bond and 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 the bondholders of the 2015 Corporate Bond, the bondholders of the 2016 Corporate Bond, 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 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.

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 two 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) 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).

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 which comprise, among other things, (i) the Disposals; (ii) the 2021 First Disposal; (iii) seeking extension of due dates of the relevant debts and/or alternative refinancing; and (iv) further disposal(s) of solar power plants in the PRC by tranches.

Working capital needs and reducing debt level

The Company has recorded a negative net cash position of RMB12,889.3 million as at 31 December 2018, RMB8,563.7 million as at 31 December 2019, RMB6,360.8 million as at 31 December 2020 and RMB6,467.7 million as at 30 June 2021.

In particular, the Group's negative net cash position of RMB6,467.7 million as at 30 June 2021 included cash and cash equivalents of RMB16.0 million, bank and other borrowings of RMB5,353.1 million, convertible bonds of RMB545.2 million and bonds payable of RMB585.4 million.

As at the Latest Practicable Date, the Company's major debts falling due on or before 31 March 2022 are set out as follows:

No.	Creditor	Principal Amount in thousands of *HK$*	*RMB*	Due Date
1	Sino Alliance	351,000	—	31 December 2019 and seeking further extension date
		800,000	—	31 December 2020 and seeking further extension date
2	China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行)	65,600	—	31 March 2022
3	Chongqing International Trust Co., Ltd* (重慶國際信託股份有限公司)	—	62,836	30 September 2020 and seeking further extension date
4	Corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**")	—	329,909	31 March 2020 and pending further negotiation with the creditor
5	Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**")	—	255,463	25 October 2021 and seeking further extension date
6	True Bold Global Limited	171,690	—	27 November 2019 and seeking further extension date
7	Rainbow Fort Investments Limited	175,000	—	30 November 2021 and seeking further extension date
	Total	**1,563,290**	**648,208**	

The Company is in the process of seeking additional capital for the repayment of the above debts that are due on or before 31 March 2022. In the alternative, the Company will seek to negotiate with the relevant creditors to seek refinancing and/or extension of due dates of the relevant debts, if necessary. As disclosed in the sub-section headed "Sale and Purchase Agreements — Consideration and Payment" above, the aggregate Consideration is RMB414.7 million. As such, the Company expects that the proceeds from the Disposals will help, among other things, the improvement of the Company's balance sheet position by reducing its debt level.

In order to settle the major debts falling due on or before 31 March 2022, the Company intends to (i) settle part of the debts with a substantial part of the Consideration amounting to approximately RMB364.7 million; (ii) engage in further negotiations with the major creditors of the Company including Sino Alliance, China Minsheng Banking Corp., Ltd Hong Kong Branch and the holders of the 2016 Corporate Bond for potential extension of the repayment period of certain debts of the Company; and (iii) further dispose of part of its solar power plants. It is expected that such further disposals will generate cash proceeds, the amount of which is to be determined upon further commercial negotiations between the Company and the potential purchasers, and will then be utilised to settle certain outstanding debts that are due on or before 31 March 2022. If, and only if, there are still outstanding debts due and unpaid upon carrying out the above steps (i) and (ii), the Board will consider disposing of further solar power plants as and when necessary. As at the Latest Practicable Date, the Company has not entered into any other arrangements or agreements or understanding, whether formal or informal with any potential purchasers.

Reference is made to the Company's 2021 interim report dated 28 September 2021. As set out in note 1 to the consolidated financial statements in the 2021 interim report, there exist material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. In light of such uncertainties, the Company's auditors issued a disclaimer of review conclusion on the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 on multiple uncertainties over the Group's ability to continue as a going concern. To address the disclaimer of review conclusion, the Group continues to implement a range of actions including the completion of and the collection of proceeds from the 2018 Disposal and the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal, the Disposals, which are intended to be used to settle certain debts as detailed in the table above. Although the completion of the 2018 Disposal and the implementation of the Development Plan have reduced the Group's highly indebted position, it is still insufficient for the Group to meet with its immediate financing needs. As at 30 November 2021, the Company had overdue bank and other borrowings of RMB1,363.7 million and overdue corporate bonds of RMB585.4 million. The validity of going concern assumption depends on the financial support provided by controlling shareholder and the outcome of the Development Plan as detailed in section headed "III. WORKING CAPITAL STATEMENT" in Appendix I. Separately, as the financial information of the Company for the year ended 31 December 2020 will be included as comparative information in the 2021 consolidated financial statements, the limitation of scope of work will affect the comparability on 2021 consolidated financial statements. Therefore, the Company expects that the disclaimer of opinion in relation to the multiple uncertainties related to going concern and limitation of scope of work on the 2019 Disposal will not be removed in the consolidated financial statements for the year ending 31 December 2021.

Delay in receiving tariff subsidy and receivables from State Grid

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

Due to limited sources of income of the Renewable Energy Development Fund, limited tariff subsidies have been released from the Renewable Energy Development Fund for renewable energy projects over the past three years. As at the Latest Practicable Date, the Company has collected the subsidies for and until around April 2018, with an amount of RMB482 million in aggregate which the subsidies in relation to the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal and the Forced Sale are not inclusive; in other words, subsidies for the solar power plants of the Group eligible for renewable energy tariff has been in arrears for three years.

As at 30 November 2021, the Company has a subsidy receivable of RMB984 million which include the receivables on tariff subsidies from the State Grid of approximately RMB930 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 since 2020, which had created more pressure on the operating cash flow of the Group. The Company believes that it is probable to receive the tariff subsidies, as this is supported by the Renewable Energy Law and the regulations of the National Development and Reform Commission. In addition, the National Development and Reform Commission, the Ministry of Finance, the People's Bank of China, the China Banking and Insurance Regulatory Commission and the National Energy Administration jointly issued the Notice on Encouraging the Intensified Financial Support to Promote the Sound and Orderly Development of Wind Power and Photovoltaic Power Industries (the "**Notice**") in February 2021. The Notice encouraged financial institutions to provide further financial support to the enterprises in the renewable energy industry (including the photovoltaic industry). There is no condition required to be met by the Company before receiving the tariff subsidies.

Immediate positive cash inflow

In light of the electricity restriction and delay in receiving tariff subsidies and receivables, it has become generally more difficult for the industry (especially for non-state owned companies) to operate solar power generation business in the PRC. In particular, the solar power projects have been generating less revenue. Coupled with high finance costs, the profitability of the Company has been brought down. Such factors also add 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 and the Lattice Power Disposal having been completed, and the circulars in relation to the 2021 First Disposal having been despatched on 24 November 2021, the Company needed to source positive cash inflow to meet its current financing needs. The Company has explored and considered other measures to improve the financial positions and operations of the Group and to cope with the deteriorating cash flow condition of the Group due to the delay in receiving tariff subsidies and receivables from the State Grid, such as considering various potential buyers who had expressed interests in the assets of the Group. The Disposals will generate an immediate cash inflow of approximately RMB414.7 million to the Group, which would help the Group repay its debts that are due and reduce the Group's finance costs according to the use of proceeds in the section headed "Use of Proceeds" below.

Confirmation of Board

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

FINANCIAL EFFECTS OF THE DISPOSALS

Assuming Completion had occurred on 30 June 2021 and for an illustrative purpose, the Directors assessed that an unaudited loss before taxation from the Disposals of approximately RMB65 million will be recognised. The loss of approximately RMB65 million from the Disposals is calculated based on the aggregate Equity Consideration (approximately RMB170 million), minus the adjusted carrying amount of the net assets of the Target Companies (approximately RMB227 million), original fair value adjustment of amounts due from the Target Companies (approximately RMB70 million) and the relevant fees incurred from the Disposals, including but not limited to the professional fees and administrative fees (approximately RMB2 million), and plus aggregate modification gain due to change in expected cash flow (approximately RMB64 million).

Assuming Completion had taken place on 30 June 2021, it is estimated that the assets and liabilities of the Group will decrease by RMB721 million and RMB656 million, respectively. The above calculation and accounting treatment are subject to changes on the actual Completion Date.

USE OF PROCEEDS

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

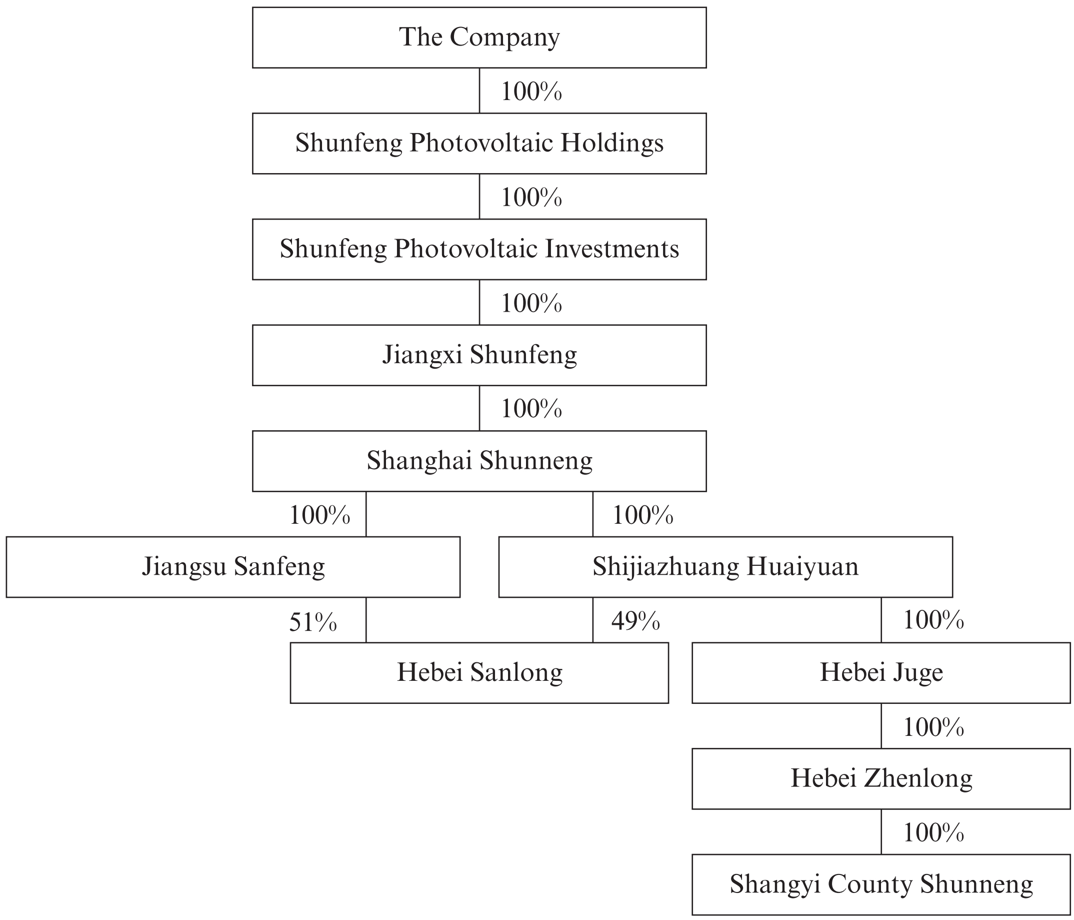
(1) RMB364.7 million to be used for the repayment of debts owed by the Group to, among others, the bondholders of the 2015 Corporate Bond, the bondholders of the 2016 Corporate Bond, True Bold Global Limited and Rainbow Fort Investments Limited and other creditors within one month of receiving each tranche of the net proceeds; and

(2) RMB50 million to be used for working capital of the Group before 30 June 2022.

INFORMATION ON THE TARGET COMPANIES

Ownership structure of Target Companies

The ownership structure of the Target Companies is set out below:



Further details of the Target Companies

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

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

The aggregate capacity and volume of electricity generated for the year ended 31 December 2020 by the solar power plants which are the subject of the Disposals represent 24.0% and 29.3% of the aggregate capacity and volume of electricity generated for the year ended 31 December 2020 by the solar power plants of the Group (excluding the solar power plants in relation to the 2021 First Disposal and the Forced Sale).

Financial information of the Target Companies

The financial information of the Target Companies according to the audited financial statements of the Target Companies for the two years ended 31 December 2019 and 2020 and the unaudited financial statements of the Target Companies for the six months ended 30 June 2021 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
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Hebei Sanlong			
Total asset value	499,400	545,027	547,732
Net asset value	64,360	77,989	78,019
Total revenue	55,417	62,105	21,311
Net profit/(loss) before taxation	15,918	15,083	481
Net profit/(loss) after taxation	15,302	13,628	30
Shangyi County Shunneng			
Total asset value	556,917	569,647	592,328
Net asset value	11,128	13,461	8,816
Total revenue	48,854	48,992	18,917
Net profit/(loss) before taxation	1,072	2,333	(4,645)
Net profit/(loss) after taxation	1,072	2,333	(4,645)

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

INFORMATION ON THE PARTIES

Information on the Group

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

The table below sets out the name, location, capacity, operational information and financial information of the remaining solar power plants of the Group after the Completion (excluding the solar power plants in relation to the Forced Sale and assuming the 2021 First Disposal has been completed).

				For the year ended 31 December 2020			Net asset/ (liability) as at 31 December 2020[Note 1]
No.	**Name of project**	**Location**	**Capacity**	**Volume of electricity generated**	**Revenue**[Note 1]	**Profit/(loss)**[Note 1]	
			(in megawatt)	*(in megawatt hour)*	*(in RMB '000)*	*(in RMB '000)*	*(in RMB '000)*
1	Qinghai Hainan	Qinghai	20	26,363	19,971	(3,844)	23,566
2	Tongwei Bazhou	Xinjiang	21	28,325	20,573	2,514	57,368
3	Tianli Enze	Xinjiang	22	31,196	21,805	3,353	44,630
4	Xinjiang Puxin, Phase I	Xinjiang	30	36,143			
5	Xinjiang Puxin, Phase II	Xinjiang	19	22,206	12,042	8,165	(112,796)
6	Xinjiang Puxin, Phase III	Xinjiang	20	21,491			
7	Hebei Yangyuan	Hebei	50	62,483	37,706	(6,515)	(149,806)
8	Jiangsu Shunyang	Jiangsu	7	7,212	7,477	1,340	120,401
9	Tibet Shannan	Tibet	10	9,627	8,425	490	44,287
10	Quzhou Lvse	Zhejiang	26	20,451	19,415	(2,801)	13,545
11	Hunan Saiwei	Hunan	15	4,747	1,752	(29,298)	(4,187)
12	Jiangsu Suqian	Jiangsu	4	2,534	2,110	(8,120)	33,874
13	Jiangsu Zhenjiang	Jiangsu	5	5,155	4,211	289	2,916
14	Jiangsu Wuxi	Jiangsu	4	2,724	2,703	(114)	(318)
15	Lianyun Ganghe	Jiangsu	5	5,462	3,908	(5,263)	10,873
16	Jiangsu Taixing	Jiangsu	5	4,969	4,189	(16,309)	1,547
17	Shandong Linyi	Shandong	10	6,286	5,195	(6,159)	(4,869)
18	Shandong Zhucheng	Shandong	16	14,979	12,548	(675)	238
19	Zhejiang Shaoxing	Zhejiang	6	3,421	3,427	(4,287)	(2,804)
Total			**295**	**315,774**	**187,457**	**(67,234)**	**78,465**

Note 1: The financial information is based on the Company's 2020 annual report, which has taken the consolidation adjustments into account, including but not limited to the impairment amount and the capitalisation interest expenses of the solar power plants if applicable.

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, a company incorporated in the PRC) that they directed Jiangsu Changshun Xinhe New Energy Co., Ltd.* (江蘇長順信合新能源有限公司, a company incorporated in the PRC) 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.* (焉耆新奥太陽能源有限公司), 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.

Information on the Vendors

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

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

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

Financial information of the Vendors

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

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

Information on the Purchaser

The Purchaser is a company incorporated under the laws of the PRC with limited liability. It is a wholly-owned subsidiary of China National Nuclear Power Co., Ltd* (中國核能電力股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 601985) and 64.11% owned by China National Nuclear Corporation* (中國核工業集團有限公司) which is in turn 100% owned by the State-owned Asset Supervision and Administration Commission of the State Council of the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected person (as defined under Chapter 14A of the Listing Rules).

Save as disclosed in this 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.

LISTING RULES IMPLICATIONS

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

EGM

An EGM will be convened and held at the Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Thursday, 13 January 2022 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the Disposals 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 Agreements and the Disposals 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 Agreements and the Disposals 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 all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreements and the Disposals 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 resolutions approving, among other things, the Sale and Purchase Agreements and the Disposals contemplated thereunder.

GENERAL

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

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

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 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://sfcegroup.com):

(i) annual report of the Company for the year ended 31 December 2018 published on 30 April 2019 (pages 53 to 238)
http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0430/LTN20190430935.pdf

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

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

(iv) interim report of the Company for the six months ended 30 June 2021 published on 28 September 2021 (pages 26 to 95)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0928/2021092800344.pdf

II. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had the following indebtedness:

Bank and other borrowings

As at 31 October 2021, the Group had bank and other borrowings of approximately RMB4,569.9 million (being their principal amounts as at 31 October 2021), of which:

a) bank and other borrowings of approximately RMB1,714.4 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 RMB2,567.9 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 RMB287.6 million were neither secured nor guaranteed.

Bond payables

As at 31 October 2021, 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 October 2021, the Group had outstanding unsecured and unguaranteed convertible bonds with an aggregate principal amount of approximately RMB667.3 million.

Lease obligations

As at 31 October 2021, the Group, as a lessee, had outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB25.7 million in aggregate (excluding contingent rental arrangement), among which RMB4.5 million is secured by rental deposits and unguaranteed, while the remaining RMB21.2 million is unsecured and unguaranteed.

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

As at 31 October 2021, the Group had non-trade related amounts due to independent third parties (included in other payables) with an aggregate carrying amount of approximately RMB2.7 million, which were neither secured nor guaranteed.

Amounts due to related parties

As at 31 October 2021, the Group had amounts due to related parties with principal amount of approximately RMB1,556.5 million, which were neither secured nor guaranteed.

Financial guarantee contracts

As at 31 October 2021, the Group had made provision of approximately RMB187.9 million on the financial guarantee in respect of bank borrowings of a joint venture of the Group.

Contingent liabilities

As at 31 October 2021, 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 October 2021.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 31 October 2021.

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. Upon completion of the 2018 Disposal in September 2019, (1) the Group has received cash payments of RMB200 million from Asia Pacific Resources and has applied such sum to repay debts owed to certain financial institutions of approximately RMB24.73 million, to repay debt interest of approximately RMB109.58 million and to repay construction payable, operation and maintenance payables and land tax with aggregate amount of approximately RMB65.69 million; (2) the Group has already entered into a loan assignment agreement dated 4 October 2019 among the Group, Sino Alliance and Asia Pacific Resources, pursuant to which Asia Pacific Resources has assumed the Company's borrowings from Sino Alliance partially for a principal amount of HK$1,200 million (equivalent to RMB1,055 million); and (3) in addition, the Company has received a waiver and commitment deed from Peace Link, pursuant to which Peace Link has agreed to waive the repayment and redemption obligation of the Company with a principal balance of HK$1,948 million (equivalent to the pre-agreed rate of exchange of RMB1,546 million) out of HK$2,148 million under the Third CB with a maturity date of 15 April 2024. The Waiver of Third CB had become effective since 14 October 2019.

Although the completion of the 2018 Disposal 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 a series of development plan which comprises, *inter alia*, (i) progressing the collection of the remaining proceeds from the 2019 Disposal and the 2020 Disposal; (ii) proceeding with the 2021 First Disposal and the Disposal; (iii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined below); 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 (collectively, the "**Development Plan**"). Details of the Development Plan are set out below.

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

During the year ended 31 December 2020, the Group completed the 2019 Disposal and the 2020 Disposal at a total consideration of RMB1,395 million and RMB509 million respectively. Up to the Latest Practicable Date, 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 May 2022 and February 2022 respectively.

Lattice Power Disposal

On 31 December 2020, Lattice Power Corporation, an indirect non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of 100% of the equity interest in Lattice Power (Jiangxi) Co., Ltd at a total consideration of RMB670 million. The disposal was approved by Shareholder on 13 July 2021. The registration of share transfer of Lattice Power (Jiangxi) Co., Limited has been completed in September 2021. As at the Latest Practicable Date, the entire consideration has been received.

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 two subsidiaries.

The Disposal

On 24 September 2021, Jiangxi Shunfeng, Shijiazhuang Huaiyuan and Hebei Zhenlong (as the vendors) entered into two sale and purchase agreements with the Purchaser, pursuant to which the vendors agreed to sell 100% of the equity interest in Hebei Sanlong and Shangyi County Shunneng with 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.

Possible Disposals of Further Solar Power Plants

Apart from the Lattice Power Disposal, the 2021 First Disposal and the Disposal, according to the Group's current funding requirement and working capital conditions, the Group intends to further dispose of its solar power plants, which are located in the PRC, on similar terms and conditions as the 2019 Disposal, the 2020 Disposal, the 2021 First Disposal and the Disposal, which may include the discount arising from the lack of marketability, conditions precedent, timing and progress payments by tranches (the "**Possible Disposals of Further Solar Power Plants**"). Management has been initiating discussions and negotiations with more than one potential buyer in respect of the Possible Disposals of Further Solar Power Plants.

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing

Currently, the Group is negotiating with banks, financial institutions and bondholders to seek for refinancing and/or extension of due dates of the relevant debts as follows:

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

In respect of bank and other borrowings

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

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

As at the Latest Practicable Date, the outstanding amount owed by the Group to Sino Alliance and True Bold is HK$1,151 million and HK$171.7 million, respectively.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance and True Bold separately, as at Latest Practicable Date, management of Sino Alliance and True Bold have been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they stand for the Development Plan proposed by 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$309,400,000 had been settled. The principal balance of HK$470,600,000 remained outstanding as at the Latest Practicable Date. CMBC-HK has been aware of the Company's proposed settlement plan and they also stand 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$175,000,000 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) Chongqing International Trust Co., Ltd.* (重慶國際信託股份有限公司) ("**Chongqing Trust**") and Chongqing Future Investment Co., Ltd ("**Chongqing Future**")

As disclosed in the Company's announcement on 1 December 2021, Chongqing Trust and Chongqing Future directed Jiangsu Changshun to dispose of nine subsidiaries of the Group at a consideration of RMB1.11 billion. The sale proceeds will be used to repay the outstanding loan principal and related interest on loan from Chongqing Trust and Chongqing Future. Management of the Company expects the Forced Sale will generate cash inflow of RMB356 million after deducting the loan from Chongqing Trust and Chongqing Future. As at the Latest Practicable Date, the principal amount of RMB62.8 million and RMB33.5 million loan from Chongqing Trust and Chongqing Future were overdue respectively.

v) Other remaining expired borrowings

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB49,819,000 overdue as at the Latest Practicable Date.

Management of the Company assessed that RMB771,342,000 out of the total overdue balance of RMB2,069,577,000 as at 30 June 2021 and RMB146,139,000 out of total overdue balance of RMB1,373,256,000 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 and the Disposal.

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

In respect of bond payables

vi) 2015 Corporate Bond

The corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**") with an outstanding principal balance of RMB550,000,000 was matured on 9 November 2019. Total principal amount of RMB187,000,000 had been settled during the year ended 31 December 2020.

During the six months ended 30 June 2021, total principal amount of RMB32,991,000 has been settled. As at 30 June 2021, the total principal amount of RMB329,909,000 and accrued bond interest of RMB61,072,000 were overdue.

Up to the Latest Practicable Date, the overdue principal amount and accrued bond interest were RMB329,909,000 and RMB73,265,000 respectively.

Management of the Company is optimistic that these bondholders of the 2015 Corporate Bond support the Development Plan and the Company will repay the overdue borrowings with proceeds received from the disposal of solar power plants held by the Group.

vii) 2016 Corporate Bond

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

On 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 RMB61,318,000, 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, the 2020 Disposal, the Lattice Power Disposal, and the proceeds from the 2021 First Disposal, the Disposal and the Possible Disposals of Further Solar Power Plants, if any, management of the Company has assumed the repayment to the lenders at its best estimate.

In addition, given that (i) the extension of loans obtained by the Group up to the Latest Practicable Date, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors up to the Latest Practicable Date, are mostly short-term; and (ii) the exact timing of the completion of, and the collection of proceeds from the Disposal and the Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the Directors are of the view that the actual timing of collection of the relevant proceeds from the disposal 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 and the 2020 Disposal, and the proceeds to be received from the 2021 First Disposal and the Disposal, and when the plan for the Possible Disposals of Further Solar Power Plants becomes solid, a portion of the Group's overdue bank and other borrowings can be successfully renewed and/or extended in view of the Group's historical successful experiences in refinancing expiring debts. Management of the Company expects these overdue bank and other borrowings can be further extended to the extent and in accordance with the timetable and milestones of payment of the remaining proceeds arising from the 2019 Disposal and the 2020 Disposal, and the proceeds arising from the 2021 First Disposal, the Disposal and the possible consideration from the Possible Disposals of Further Solar Power Plants that the Group could have received;

b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had breached certain financial covenants, which amounted to a total of RMB567,187,000 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 [Note 1]. 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 of working capital of the Group 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) collecting the remaining sale proceeds in respect of the 2019 Disposal and the 2020 Disposal in accordance with the amount and timing expected by the Company;

(ii) completing the 2021 First Disposal and the Disposal and collecting the proceeds in accordance with the amount and timing expected by the Company;

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

(iv) convincing its creditors (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment time and amount and allow the Group to further extend the repayment in accordance with the timetable and milestones of payment of the proceeds from the Group's disposals and the Possible Disposals of Further Solar Power Plants;

(v) obtaining consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the Possible Disposals of Further Solar Power Plants;

Note 1: As at the Latest Practicable Date, the Company has received direct confirmations from creditors confirming the existence of facilities in the amount of RMB5,323,789,183, out of the total outstanding facilities of RMB5,822,499,806 as of 31 October 2021. Confirmations from the remaining creditors of the facilities were not received mainly due to (i) certain creditors are not willing to provide direct confirmations unless the Group provides additional security and/or repays all the overdue debts owed to these creditors; and (ii) on one occasion, in relation to an uncontactable bondholder. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

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

(vii) convincing banks, financial institutions and other counterparties to further delay the debts repayment of those bank and other borrowing, which will be matured within twelve months after the date of issue of this circular; and

(viii) ensuring there is no any event and circumstances that will affect the capability of controlling Shareholder to provide the financial support to the Group.

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.

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 historical financial information of Hebei Sanlong Electricity Technology Co. Ltd. ("**Hebei Sanlong**") which comprise the condensed statements of financial position as of 31 December 2018, 2019 and 2020 and 30 June 2021 and the related condensed statements of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021 and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed disposal of Hebei Sanlong in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information of Hebei Sanlong in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules.

The Company's auditor, BDO Limited, was engaged to review the Historical Financial Information of Hebei Sanlong in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has included an emphasis of matter — Material uncertainty related to going concern paragraph in the review report which states that:

"Without qualifying our conclusion, we draw attention to Note 2.2 to the Historical Financial Information, which indicates that Hebei Sanlong had net current liabilities of RMB171,708,000 as at 30 June 2021. This condition, along with other matters as set forth in Note 2.2 to the Historical Financial Information, indicate the existence of a material uncertainty that may cast significant doubt about Hebei Sanlong's ability to continue as a going concern."

CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenue	56,110	53,761	53,585	27,094	20,741
Cost of sales	(20,315)	(19,530)	(20,418)	(9,782)	(9,832)
Gross profit	35,795	34,231	33,167	17,312	10,909
Other income	4,131	3,251	1,391	790	835
Other gains and losses	—	(17,216)	(1)	(1)	—
Impairment losses under expected credit loss model, net of reversal	(38)	11	(78)	(18)	(38)
Administrative expenses	(162)	(83)	(46)	(23)	(19)
Finance costs	(18,900)	(20,753)	(19,776)	(10,644)	(9,863)
Profit/(Loss) before tax	20,826	(559)	14,657	7,416	1,824
Income tax expense	—	(616)	(1,455)	(311)	(451)
Profit/(Loss) for the year/period	20,826	(1,175)	13,202	7,105	1,373
Other comprehensive income for the year/period, net of tax	—	—	—	—	—
Total comprehensive income for the year/period	20,826	(1,175)	13,202	7,105	1,373

CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Non-current assets				
Property, plant and equipment	62	10	8	8
Right-of-use assets	—	5,985	5,659	5,496
Solar power plants	322,535	305,645	292,860	284,477
Prepaid lease payments — non-current	3,768	—	—	—
Other non-current assets	5,429	5,429	5,429	5,429
Value-added tax recoverable — non-current	29,802	21,605	21,218	19,681
Contract assets — non-current	75,693	111,121	147,742	162,340
	437,289	449,795	472,916	477,431
Current assets				
Trade receivables	1,806	1,462	1,695	2,070
Prepaid lease payments — current	191	—	—	—
Value-added tax recoverable	7,392	6,966	5,220	5,236
Restricted bank deposits	—	232	7,232	5,195
Bank balances and cash	13	4	14	10
	9,402	8,664	14,161	12,511
Current liabilities				
Trade and other payables	130,587	140,121	11,077	10,812
Amounts due to Remaining Group	36,596	35,399	173,715	173,407
Tax liabilities	—	282	53	—
	167,183	175,802	184,845	184,219
Net current liabilities	(157,781)	(167,138)	(170,684)	(171,708)
Total assets less current liabilities	279,508	282,657	302,232	305,723

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Capital and reserve				
Paid-in capital	10,000	10,000	10,000	10,000
Retained earnings	17,746	16,571	29,773	31,146
Total equity	27,746	26,571	39,773	41,146
Non-current liabilities				
Other borrowings	251,762	256,086	262,459	264,577
	279,508	282,657	302,232	305,723

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	(Accumulated losses)/ Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 31 December 2017	10,000	(1,044)	8,956
Adoption of IFRS 15 *(Note 3.2)*	—	(2,036)	(2,036)
At 1 January 2018, restated	10,000	(3,080)	6,920
Profit for the year	—	20,826	20,826
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year	—	20,826	20,826
At 31 December 2018 and 1 January 2019	10,000	17,746	27,746
Loss for the year	—	(1,175)	(1,175)
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year	—	(1,175)	(1,175)
At 31 December 2019 and 1 January 2020	10,000	16,571	26,571
Profit for the year	—	13,202	13,202
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year	—	13,202	13,202
At 31 December 2020 and 1 January 2021	10,000	29,773	39,773
Profit for the period	—	1,373	1,373
Other comprehensive income for the period, net of tax	—	—	—
Total comprehensive income for the period	—	1,373	1,373
At 30 June 2021	10,000	31,146	41,146

CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Cash flows from operating activities					
Net cash generated from/(used in) operating activities	11,437	7,741	(120,343)	(2,394)	7,228
Cash flows from investing activities					
Interest income received	—	2	4	1	6
(Placement)/Withdrawal of restricted bank deposits	—	(232)	(7,000)	(1,919)	2,037
Payments for construction cost in respect of solar power plants	(140)	—	(4,281)	(402)	—
Addition of right-of-use assets	—	(2,352)	—	—	—
Disposal of a subsidiary	3,000	—	—	—	—
Net cash generated from/(used in) investing activities	2,860	(2,582)	(11,277)	(2,320)	2,043
Cash flows from financing activities					
Interests paid	—	(3,971)	(6,686)	(3,316)	(8,967)
Advances from Remaining Group	37,675	34,146	168,930	14,254	11,425
Repayments to Remaining Group	(51,990)	(35,343)	(30,614)	(6,220)	(11,733)
Net cash (used in)/generated from financing activities	(14,315)	(5,168)	131,630	4,718	(9,275)
Net (decrease)/increase in cash and cash equivalents	(18)	(9)	10	4	(4)
Cash and cash equivalents at beginning of year/period	31	13	4	4	14
Cash and cash equivalents at end of year/period	13	4	14	8	10

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hebei Sanlong Electricity Technology Co. Ltd. ("**Hebei Sanlong**") 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.

Hebei Sanlong 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 24 September 2021, Jiangsu Sanfeng Guanghua Investment Co., Ltd. and Shijiazhuang Huaiyuan New Energy Development Company Limited (hereafter collectively referred to as the "**Vendors**"), the indirect wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Zhonghe Huineng Co., Ltd.* (中核滙能有限公司) (the "**Purchaser**"), pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% of the equity interests in Hebei Sanlong at an aggregate consideration of RMB96,000,000 (the "**Disposal**").

Upon completion of the Disposal, Hebei Sanlong will cease to be the subsidiary of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is prepared by the directors of the Company solely for the purposes of inclusion in the circular to be issued by the Company. It does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and should be read in connection with the published annual report and interim report of the Company for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, respectively.

The Historical Financial Information of Hebei Sanlong has been prepared in accordance with the accounting policies adopted by the Company as set out in the annual report and interim report of the Company for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, respectively. Except as described in Note 3, these policies have been consistently applied to all the years/periods presented.

2.2 Basis of measurement and going concern assumption

The Historical Financial Information has been prepared under the historical cost basis.

The Historical Financial Information has been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that Hebei Sanlong had net current liabilities of RMB171,708,000 as at 30 June 2021 that included amounts due to Remaining Group of RMB173,407,000. These conditions may cast significant doubt on Hebei Sanlong's ability to continue as a going concern.

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

The directors of the Company, taking into account the following factors, are of the opinion that Hebei Sanlong 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. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The source of funds and the timing of their availability will vary depending on whether the Company is able to complete the Disposal. If the Disposal does not proceed eventually, the funds will be provided by the Company or be available from Hebei Sanlong's operations with the timing based on when the Company is able to make the necessary funding available or the cash flows generated from daily operations of Hebei Sanlong respectively. Along with other obligations that may fall due, the Company agreed to provide adequate funds to enable Hebei Sanlong to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is shorter.

In respect of the amounts due to Remaining Group with carrying amount of RMB173,407,000 as at 30 June 2021, the Remaining Group has agreed not to demand repayment from Hebei Sanlong for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is earlier.

If the Disposal proceeds and is completed, the Purchaser will endeavor to assist Hebei Sanlong to obtain funds to repay the amounts due to Remaining Group in accordance with the repayment schedule as stated in the Sale and Purchase Agreement. The directors of the Company consider that the Purchaser and its parent are financially capable and will provide adequate funds enabling Hebei Sanlong to meet in full its financial obligations as and when they fall due for a post Disposal period up to end of twelve months after the date of issue of this circular.

Notwithstanding the above, a material uncertainty exists about the Hebei Sanlong's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business, Hebei Sanlong's ability to continue as a going concern depends upon (i) the Company is financially viable to provide adequate funds to enable Hebei Sanlong to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is earlier; and (ii) in the event that the Disposal is completed, the Purchaser and its parent will provide adequate funds enabling Hebei Sanlong to meet in full its financial obligations as and when they fall due for a post Disposal period up to the end of twelve months after the date of issue of this circular.

Should Hebei Sanlong be unable to continue in business as a going concern, adjustments would have to be made in the Historical Financial Information to write down the values of assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this Historical Financial Information.

2.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of Hebei Sanlong. All Historical Financial Information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of new or amended International Financial Reporting Standards ("**IFRSs**") which are relevant to Hebei Sanlong and became effective during the respective year. The impact of these new or amended IFRSs in respective year is summarised as follows.

3.1 IFRS 9 — Financial Instruments

During the year ended 31 December 2018, Hebei Sanlong has applied IFRS 9 *Financial Instruments* ("**IFRS 9**") and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

Hebei Sanlong has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Trade receivables, contract assets, restricted bank deposits and bank balances and cash are previously classified as "loan and receivables" under IAS 39, but now are classified as "financial assets measured at amortised cost" under IFRS 9 since 1 January 2018.

No adjustment has therefore been made on the opening accumulated losses since the financial effects arising from the initial application of IFRS 9 on the carrying amount of these financial assets was insignificant.

3.2 IFRS 15 — Revenue from Contracts with Customers

Hebei Sanlong has applied IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

Hebei Sanlong has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, Hebei Sanlong has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

Hebei Sanlong recognises revenue from the following major sources which arise from contracts with customers:

- ***Sales of electricity***

  Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

  Revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

- ***Tariff subsidies***

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of Hebei Sanlong's solar power generation business. Tariff subsidies are recognised at their fair value where there is a reasonable assurance that the additional tariff will be received and Hebei Sanlong will comply with all attached conditions, if any.

Revenue from tariff subsidies is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidies to the solar power plants operators and the revenue from sales of electricity.

3.2.1 Key changes in accounting policies resulting from application of IFRS 15

Under IFRS 15, Hebei Sanlong recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Hebei Sanlong's performance as Hebei Sanlong performs;
- Hebei Sanlong's performance creates or enhances an asset that the customer controls as Hebei Sanlong performs; or
- Hebei Sanlong's performance does not create an asset with an alternative use to Hebei Sanlong and Hebei Sanlong has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents Hebei Sanlong's right to consideration in exchange for goods or services that Hebei Sanlong has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Hebei Sanlong's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3.2.2 Summary of effects arising from initial application of IFRS 15

The following table summarises the impact of transition to IFRS 15 on accumulated losses at 1 January 2018. Line items that were not affected by the changes have not been included.

	RMB'000 *(unaudited)*
Accumulated losses at 31 December 2017	(1,044)
Imputed interest adjustment due to significant financing component arising from sales of electricity	(2,036)
Adjusted balance at 1 January 2018	(3,080)

The following adjustments were made to the amounts recognised in condensed statements of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Remeasurement**	**Carrying amounts under IFRS 15 at 1 January 2018**
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)* *(Note 1)*	*RMB'000* *(unaudited)* *(Note 2)*	*RMB'000* *(unaudited)*
Non-current assets				
Contract assets				
— non-current	—	42,074	(2,036)	40,038
Current assets				
Trade receivables	57,253	(42,074)	—	15,179
Capital and reserve				
Accumulated losses	(1,044)	—	(2,036)	(3,080)

Notes:

1 At the date of initial application, RMB42,074,000 represented the accrued revenue on tariff subsidies generating from the solar power plants that has not completed the registration to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) as at 1 January 2018. Such cumulative balance as at 1 January 2018 had been classified as contract assets as Hebei Sanlong had not obtained unconditional right to payment yet.

2 As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly. As at 1 January 2018, the remeasurement, as a result of the significant financial component on sales of electricity, had been adjusted to accumulated losses on 1 January 2018.

3.3 IFRS 16 — Leases

Hebei Sanlong has applied IFRS 16 *Leases* ("**IFRS 16**") for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

3.3.1 Key changes in accounting policies resulting from application of IFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, 1 January 2019, Hebei Sanlong assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a leasee

Right-of-use assets

Hebei Sanlong recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Hebei Sanlong; and
- an estimate of costs to be incurred by Hebei Sanlong in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Hebei Sanlong presents right-of-use assets as a separate line item on the condensed statement of financial position.

Lease liabilities

At the commencement date of a lease, Hebei Sanlong recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Hebei Sanlong uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by Hebei Sanlong; and
- payments of penalties for terminating a lease, if the lease term reflects Hebei Sanlong exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3.3.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

Hebei Sanlong has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Hebei Sanlong has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, Hebei Sanlong applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As lessee

Hebei Sanlong has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application.

On transition, Hebei Sanlong reclassified prepaid lease payment to right-of-use assets upon application of IFRS 16:

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	RMB'000 *(unaudited)*
Reclassified from prepaid lease payments	3,959
By class:	
Leasehold lands	3,959

The following adjustments were made to the amounts recognised in the condensed statements of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Non-current assets			
Right-of-use assets	—	3,959	3,959
Prepaid lease payments — non-current	3,768	(3,768)	—
Current assets			
Prepaid lease payments — current	191	(191)	—

4. PLEDGE ON THE EQUITY INTEREST AND ASSETS

As at 30 June 2021 and date of issue of this circular, the entire equity interest in Hebei Sanlong (referred to as the "**Pledged Shares**"), solar power plants, trade receivables and contract assets held by Hebei Sanlong have been pledged in order to obtain the pledged borrowings from independent financial institution, the outstanding principal balance of RMB264,577,000 as at 30 June 2021. The Pledged Shares, as one of the conditions precedent, is required to be released prior to the completion of the Disposal.

Set out below are the unaudited historical financial information of Shangyi County Shunneng Photovoltaic Electricity Co., Ltd. ("**Shangyi County Shunneng**") which comprise the condensed statements of financial position as of 31 December 2018, 2019 and 2020 and 30 June 2021 and the related condensed statements of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021 and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed disposal of Shangyi County Shunneng in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information of Shangyi County Shunneng in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules.

The Company's auditor, BDO Limited, was engaged to review the Historical Financial Information of Shangyi County Shunneng in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has included an emphasis of matter — Material uncertainty related to going concern paragraph in the review report which states that:

"Without qualifying our conclusion, we draw attention to Note 2.2 to the Historical Financial Information, which indicates that Shangyi County Shunneng had net current liabilities of RMB115,320,000 as at 30 June 2021. This condition, along with other matters as set forth in Note 2.2 to the Historical Financial Information, indicate the existence of a material uncertainty that may cast significant doubt about Shangyi County Shunneng's ability to continue as a going concern."

CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenue	49,735	47,477	47,639	23,984	18,411
Cost of sales	(25,520)	(24,301)	(24,890)	(11,870)	(11,951)
Gross profit	24,215	23,176	22,749	12,114	6,460
Other income	2,003	1,694	1,226	697	740
Other gains and losses	(53)	(86)	(2,917)	(2,214)	(683)
Impairment losses under expected credit loss model, net of reversal	(35)	9	(69)	(16)	(118)
Administrative expenses	(282)	(99)	(248)	(29)	(33)
Finance costs	(21,599)	(23,068)	(21,908)	(11,256)	(10,969)
Profit/(Loss) before tax	4,249	1,626	(1,167)	(704)	(4,603)
Income tax expense	—	—	—	—	—
Profit/(Loss) for the year/period	4,249	1,626	(1,167)	(704)	(4,603)
Other comprehensive income for the year/period, net of tax	—	—	—	—	—
Total comprehensive income for the year/period	4,249	1,626	(1,167)	(704)	(4,603)

CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Non-current assets				
Property, plant and equipment	4	2	1	47
Right-of-use assets	—	5,907	5,585	5,424
Solar power plants	342,685	325,891	306,179	296,332
Prepaid lease payments — non-current	3,711	—	—	—
Other non-current assets	6,088	6,088	6,088	6,088
Value-added tax recoverable — non-current	33,426	24,184	23,740	21,645
Contract assets — non current	68,397	99,657	132,272	145,218
	454,311	461,729	473,865	474,754
Current assets				
Trade and other receivables	1,658	1,304	9,614	18,155
Prepaid lease payments — current	188	—	—	—
Value-added tax recoverable	6,528	6,193	5,616	6,596
Restricted bank deposits	—	2,288	3,490	3,495
Bank balances and cash	8	10	—	—
	8,382	9,795	18,720	28,246
Current liabilities				
Trade and other payables	84,817	77,475	50,090	80,671
Amounts due to Remaining Group	19,713	29,037	70,951	52,895
Other borrowings	—	—	—	10,000
	104,530	106,512	121,041	143,566
Net current liabilities	(96,148)	(96,717)	(102,321)	(115,320)
Total assets less current liabilities	358,163	365,012	371,544	359,434

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Capital and reserves				
Paid-in capital	2,000	2,000	2,000	2,000
Reserves	71,652	73,278	72,111	67,508
Total equity	73,652	75,278	74,111	69,508
Non-current liabilities				
Other borrowings	284,511	289,734	297,433	289,926
	358,163	365,012	371,544	359,434

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 31 December 2017	2,000	85,000	(15,724)	71,276
Adoption of IFRS 15 *(Note 3.2)*	—	—	(1,873)	(1,873)
At 1 January 2018, restated	2,000	85,000	(17,597)	69,403
Profit for the year	—	—	4,249	4,249
Other comprehensive income for the year, net of tax	—	—	—	—
Total comprehensive income for the year	—	—	4,249	4,249
At 31 December 2018 and 1 January 2019	2,000	85,000	(13,348)	73,652
Profit for the year	—	—	1,626	1,626
Other comprehensive income for the year, net of tax	—	—	—	—
Total comprehensive income for the year	—	—	1,626	1,626
At 31 December 2019 and 1 January 2020	2,000	85,000	(11,722)	75,278
Loss for the year	—	—	(1,167)	(1,167)
Other comprehensive income for the year, net of tax	—	—	—	—
Total comprehensive income for the year	—	—	(1,167)	(1,167)
At 31 December 2020 and 1 January 2021	2,000	85,000	(12,889)	74,111
Loss for the period	—	—	(4,603)	(4,603)
Other comprehensive income for the period, net of tax	—	—	—	—
Total comprehensive income for the period	—	—	(4,603)	(4,603)
At 30 June 2021	2,000	85,000	(17,492)	69,508

CONDENSED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Cash flows from operating activities					
Net cash generated from/(used in) operating activities	22,691	6,129	(31,274)	2,225	18,104
Cash flows from investing activities					
Interest income received	—	2	4	1	6
(Placement)/Withdrawal of restricted bank deposits	—	(2,288)	(1,202)	117	(5)
Payments for construction cost in respect of solar power plants	(745)	(2,761)	—	—	—
Addition of right-of-use assets	—	(2,330)	—	—	—
Purchase of property, plant and equipment	—	—	—	—	(49)
Net cash (used in)/generated from investing activities	(745)	(7,377)	(1,198)	118	(48)
Cash flows from financing activities					
Interests paid	—	(8,074)	(9,452)	(5,261)	—
Advances from Remaining Group	31,867	65,703	48,633	8,271	2,744
Repayments to Remaining Group	(53,809)	(56,379)	(6,719)	(5,357)	(20,800)
Net cash (used in)/generated from financing activities	(21,942)	1,250	32,462	(2,347)	(18,056)
Net increase/(decrease) in cash and cash equivalents	4	2	(10)	(4)	—
Cash and cash equivalents at beginning of year/period	4	8	10	10	—
Cash and cash equivalents at end of year/period	8	10	—	6	—

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shangyi County Shunneng Photovoltaic Electricity Co., Ltd. ("**Shangyi County Shunneng**") 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.

Shangyi County Shunneng 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 24 September 2021, Hebei Zhenlong Electricity Equipment Technology Co., Ltd (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Zhonghe Huineng Co., Ltd.* (中核滙能有限公司) (the "**Purchaser**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% of the equity interests in Shangyi County Shunneng at an aggregate consideration of RMB74,000,000 (the "**Disposal**").

Upon completion of the Disposal, Shangyi County Shunneng will cease to be the subsidiary of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is prepared by the directors of the Company solely for the purposes of inclusion in the circular to be issued by the Company. It does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and should be read in connection with the published annual report and interim report of the Company for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, respectively.

The Historical Financial Information of Shangyi County Shunneng has been prepared in accordance with the accounting policies adopted by the Company as set out in the annual report and interim report of the Company for each of the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, respectively. Except as described in Note 3, these policies have been consistently applied to all the years/periods presented.

2.2 Basis of measurement and going concern assumption

The Historical Financial Information has been prepared under the historical cost basis.

The Historical Financial Information has been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that Shangyi County Shunneng had net current liabilities of RMB115,320,000 as at 30 June 2021 that included amounts due to Remaining Group of RMB52,895,000. These conditions may cast significant doubt on Shangyi County Shunneng's ability to continue as a going concern.

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

The directors of the Company, taking into account the following factors, are of the opinion that Shangyi County Shunneng 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. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The source of funds and the timing of their availability will vary depending on whether the Company is able to complete the Disposal. If the Disposal does not proceed eventually, the funds will be provided by the Company or be available from Shangyi County Shunneng's operations with the timing based on when the Company is able to make the necessary funding available or the cash flows generated from daily operations of Shangyi County Shunneng respectively. Along with other obligations that may fall due, the Company agreed to provide adequate funds to enable Shangyi County Shunneng to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is shorter.

In respect of the amounts due to Remaining Group with carrying amount of RMB52,895,000 as at 30 June 2021, the Remaining Group has agreed not to demand repayment from Shangyi County Shunneng for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is earlier.

If the Disposal proceeds and is completed, the Purchaser will endeavor to assist Shangyi County Shunneng to obtain funds to repay the amounts due to Remaining Group in accordance with the repayment schedule as stated in the Sale and Purchase Agreement. The directors of the Company consider that the Purchaser and its parent are financially capable to and will provide adequate funds enabling Shangyi County Shunneng to meet in full its financial obligations as and when they fall due for a post Disposal period up to end of twelve months after the date of issue of this circular.

Notwithstanding the above, a material uncertainty exists about the Shangyi County Shunneng's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business, Shangyi County Shunneng's ability to continue as a going concern depends upon (i) the Company is financially viable to provide adequate funds to enable Shangyi County Shunneng to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this circular or up to the completion date of the Disposal, whichever is earlier; and (ii) in the event that the Disposal is completed, the Purchaser and its parent will provide adequate funds enabling Shangyi County Shunneng to meet in full its financial obligations as and when they fall due for a post Disposal period up to the end of twelve months after the date of issue of this circular.

Should Shangyi County Shunneng be unable to continue in business as a going concern, adjustments would have to be made in the Historical Financial Information to write down the values of assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this Historical Financial Information.

2.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of Shangyi County Shunneng. All Historical Financial Information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of new or amended International Financial Reporting Standards ("**IFRSs**") which are relevant to Shangyi County Shunneng and became effective during the respective year. The impact of these new or amended IFRSs in respective year is summarised as follows.

3.1 IFRS 9 — Financial Instruments

During the year ended 31 December 2018, Shangyi County Shunneng has applied IFRS 9 *Financial Instruments* ("**IFRS 9**") and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

Shangyi County Shunneng has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Trade and other receivables, contract assets, restricted bank deposits and bank balances and cash are previously classified as "loan and receivables" under IAS 39, but now are classified as "financial assets measured at amortised cost" under IFRS 9 since 1 January 2018.

No adjustment has therefore been made on the opening accumulated losses since the financial effects arising from the initial application of IFRS 9 on the carrying amount of these financial assets was insignificant.

3.2 IFRS 15 — Revenue from Contracts with Customers

Shangyi County Shunneng has applied IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

Shangyi County Shunneng has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, Shangyi County Shunneng has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

Shangyi County Shunneng recognises revenue from the following major sources which arise from contracts with customers:

- ***Sales of electricity***

  Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

Revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

- ***Tariff subsidies***

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of Shangyi County Shunneng's solar power generation business. Tariff subsidies are recognised at their fair value where there is a reasonable assurance that the additional tariff will be received and Shangyi County Shunneng will comply with all attached conditions, if any.

Revenue from tariff subsidies is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidies to the solar power plants operators and the revenue from sales of electricity.

3.2.1 Key changes in accounting policies resulting from application of IFRS 15

Under IFRS 15, Shangyi County Shunneng recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Shangyi County Shunneng's performance as Shangyi County Shunneng performs;

- Shangyi County Shunneng's performance creates or enhances an asset that the customer controls as Shangyi County Shunneng performs; or

- Shangyi County Shunneng's performance does not create an asset with an alternative use to Shangyi County Shunneng and Shangyi County Shunneng has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents Shangyi County Shunneng's right to consideration in exchange for goods or services that Shangyi County Shunneng has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Shangyi County Shunneng's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3.2.2 Summary of effects arising from initial application of IFRS 15

The following table summarises the impact of transition to IFRS 15 on accumulated losses at 1 January 2018. Line items that were not affected by the changes have not been included.

	RMB'000 *(unaudited)*
Accumulated losses at 31 December 2017	(15,724)
Imputed interest adjustment due to significant financing component arising from sales of electricity	(1,873)
Adjusted balance at 1 January 2018	(17,597)

The following adjustments were made to the amounts recognised in condensed statements of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Remeasurement**	**Carrying amounts under IFRS 15 at 1 January 2018**
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)* *(Note 1)*	*RMB'000* *(unaudited)* *(Note 2)*	*RMB'000* *(unaudited)*
Non-current assets				
Contract assets — non-current	—	38,828	(1,873)	36,955
Current assets				
Trade and other receivables	51,601	(38,828)	—	12,773
Capital and reserves				
Accumulated losses	(15,724)	—	(1,873)	(17,597)

Notes:

1. At the date of initial application, RMB38,828,000 represented the accrued revenue on tariff subsidies generating from the solar power plants that has not completed the registration to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) as at 1 January 2018. Such cumulative balance as at 1 January 2018 had been classified as contract assets as Shangyi County Shunneng had not obtained unconditional right to payment yet.

2. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly. As at 1 January 2018, the remeasurement, as a result of the significant financial component on sales of electricity, had been adjusted to accumulated losses on 1 January 2018.

3.3 IFRS 16 — Leases

Shangyi County Shunneng has applied IFRS 16 *Leases* ("**IFRS 16**") for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

3.3.1 Key changes in accounting policies resulting from application of IFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, 1 January 2019, Shangyi County Shunneng assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a leasee

Right-of-use assets

Shangyi County Shunneng recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Shangyi County Shunneng; and
- an estimate of costs to be incurred by Shangyi County Shunneng in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Shangyi County Shunneng presents right-of-use assets as a separate line item on the condensed statement of financial position.

Lease liabilities

At the commencement date of a lease, Shangyi County Shunneng recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Shangyi County Shunneng uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by Shangyi County Shunneng; and
- payments of penalties for terminating a lease, if the lease term reflects Shangyi County Shunneng exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3.3.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

Shangyi County Shunneng has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Shangyi County Shunneng has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, Shangyi County Shunneng applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As lessee

Shangyi County Shunneng has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application.

On transition, Shangyi County Shunneng reclassified prepaid lease payment to right-of-use assets upon application of IFRS 16:

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	RMB'000 *(unaudited)*
Reclassified from prepaid lease payments	3,899
By class:	
Leasehold lands	3,899

The following adjustments were made to the amounts recognised in the condensed statements of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Non-current assets			
Right-of-use assets	—	3,899	3,899
Prepaid lease payments — non-current	3,711	(3,711)	—
Current assets			
Prepaid lease payments — current	188	(188)	—

4. PLEDGE ON THE EQUITY INTEREST AND ASSETS

As at 30 June 2021 and date of issue of this circular, the entire equity interest in Shangyi County Shunneng (referred to as the "**Pledged Shares**"), solar power plants, trade receivables and contract assets held by Shangyi County Shunneng have been pledged in order to obtain the pledged borrowings from independent financial institution, the outstanding principal balance of RMB299,926,000 as at 30 June 2021. The Pledged Shares, as one of the conditions precedent, is required to be released prior to the completion of the Disposal.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

Shunfeng International Clean Energy Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

On 24 September 2021, Jiangsu Sanfeng Guanghua Investment Co., Ltd.* (江蘇三豐光華投資有限公司), Shijiazhuang Huaiyuan New Energy Development Company Limited* (石家莊懷遠新能源開發有限公司) and Hebei Zhenlong Electricity Equipment Technology Co., Ltd* (河北臻龍電力設備科技有限公司), the indirect wholly-owned subsidiaries of the Company (hereafter collectively referred to as the "**Vendors**"), entered into 2 sale and purchase agreements with Zhonghe Huineng Co., Ltd.* (中核匯能有限公司) (the "**Purchaser**"), an independent third party, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interests of (i) Hebei Sanlong Electricity Technology Co. Ltd.* (河北三龍電力科技有限公司) and (ii) Shangyi County Shunneng Photovoltaic Electricity Co., Ltd.* (尚義縣順能光伏電力有限公司) (hereafter collectively referred to as the "**Target Companies**") from the Vendors, at an aggregate cash consideration of RMB170,000,000 (the "**Disposals**").

The Target Companies are principally engaged in the solar power generation business in the PRC. Upon the completion of the Disposals, the Group will cease to have control over the Target Companies and the remaining group (the "**Remaining Group**") will continue to operate the remaining solar power generation business in the PRC.

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of the Remaining Group, comprising the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2020, has been prepared by the directors of the Company (the "**Directors**") in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposals, as if the Disposals had been completed on 30 June 2021 or 1 January 2020, as appropriate.

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

A narrative description of the unaudited pro forma adjustments of the Disposals that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the results of operations, financial positions or cash flows of the Remaining Group had the Disposals been completed as at the respective dates to which it is made up to or for any future periods or at any future dates, whichever is applicable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published interim report of the Company dated 30 August 2021 for the six months ended 30 June 2021, the published annual report of the Company dated 30 March 2021 for the year ended 31 December 2020, the unaudited historical financial information of the Target Companies as set out in Appendix II and other financial information included elsewhere in this circular.

As disclosed in the announcement of the Company dated 31 December 2020 and the circular of the Company dated 23 June 2021, Lattice Power Corporation, an indirect non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Nanchang Guanggu Group Limited* (南昌光穀集團有限公司) ("**Nanchang Guanggu**") pursuant to which Lattice Power Corporation had conditionally agreed to sell, and Nanchang Guanggu had conditionally agreed to purchase 100% of the equity interest in Lattice Power (Jiangxi) Co., Ltd* (晶能光電(江西)有限公司) and its subsidiaries (collectively referred to as the "**Lattice Power (Jiangxi) Group**"). As at the Latest Practicable Date (as defined in the section headed "DEFINITIONS" of this circular), the disposal of Lattice Power (Jiangxi) Group have been completed.

The Company would like to draw the attention of the investors and other users of this circular that when preparing the Unaudited Pro forma Financial Information of the Remaining Group, no adjustment had been made to reflect the impact of disposal of Lattice Power (Jiangxi) Group, which have been completed subsequent to 30 June 2021. Assets and liabilities of Lattice Power (Jiangxi) Group, which are expected to be sold within twelve months since 30 June 2021, have been included in "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" in the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021, respectively.

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

UNAUDITED PRO FORMA CONDENSED 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 2021	Exclusion of 100% equity interest in Hebei Sanlong as at 30 June 2021	Exclusion of 100% equity interest in Shangyi County Shunneng as at 30 June 2021	Recognition of impact on consideration and estimated loss on the Disposals	Reinstatement of intra-group balances	Estimated the costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*		
Non-current assets								
Property, plant and equipment	51,371	(8)	(47)	—	—	—	(55)	51,316
Right-of-use assets	96,053	(5,496)	(5,424)	—	—	—	(10,920)	85,133
Solar power plants	4,495,219	(284,477)	(296,332)	(116,262)	—	—	(697,071)	3,798,148
Intangible assets	2,081	—	—	—	—	—	—	2,081
Interests in associates	35,303	—	—	—	—	—	—	35,303
Interest in a joint venture	—	—	—	—	—	—	—	—
Financial assets at fair value through profit or loss	1,000	—	—	—	—	—	—	1,000
Other non-current assets	93,315	(5,429)	(6,088)	—	—	—	(11,517)	81,798
Value-added tax recoverable — non-current	228,243	(19,681)	(21,645)	—	—	—	(41,326)	186,917
Contract assets — non-current	381,451	(162,340)	(145,218)	—	—	—	(307,558)	73,893
	5,384,036	(477,431)	(474,754)	(116,262)	—	—	(1,068,447)	4,315,589
Current assets								
Trade and other receivables	1,690,737	(2,070)	(18,155)	170,000	—	—	149,775	1,840,512
Receivables at fair value through other comprehensive income	437	—	—	—	—	—	—	437
Value-added tax recoverable	65,479	(5,236)	(6,596)	—	—	—	(11,832)	53,647
Prepayments to suppliers	5,569	—	—	—	—	—	—	5,569
Amounts due from the related parties	1,634,063	—	—	—	—	—	—	1,634,063
Amounts due from the Target Companies	—	—	—	(5,762)	226,302	—	220,540	220,540
Restricted bank deposits	26,591	(5,195)	(3,495)	—	—	—	(8,690)	17,901
Bank balances and cash	15,999	(10)	—	—	—	(2,425)	(2,435)	13,564
	3,438,875	(12,511)	(28,246)	164,238	226,302	(2,425)	347,358	3,786,233
Assets classified as held for sale	910,078	—	—	—	—	—	—	910,078
	4,348,953	(12,511)	(28,246)	164,238	226,302	(2,425)	347,358	4,696,311

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021	Unaudited pro forma adjustments in respect of the Disposals							Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021
		Exclusion of 100% equity interest in Hebei Sanlong as at 30 June 2021	Exclusion of 100% equity interest in Shangyi County Shunneng as at 30 June 2021	Recognition of impact on consideration and estimated loss on the Disposals	Reinstatement of intra-group balances	Estimated the costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*			
Current liabilities									
Trade and other payables	1,065,029	(10,812)	(80,671)	—	—	—	(91,483)		973,546
Amounts due to the related parties	1,650,375	—	—	—	—	—	—		1,650,375
Amounts due to the Remaining Group	—	(173,407)	(52,895)	—	226,302	—	—		—
Lease liabilities	16,419	—	—	—	—	—	—		16,419
Provisions	195,490	—	—	—	—	—	—		195,490
Tax liabilities	847	—	—	—	—	—	—		847
Bank and other borrowings	3,210,943	—	(10,000)	—	—	—	(10,000)		3,200,943
Convertible bonds	37,376	—	—	—	—	—	—		37,376
Bond payables	585,372	—	—	—	—	—	—		585,372
	6,761,851	(184,219)	(143,566)	—	226,302	—	(101,483)		6,660,368
Liabilities associated with assets classified as held for sale	261,026	—	—	—	—	—	—		261,026
	7,022,877	(184,219)	(143,566)	—	226,302	—	(101,483)		6,921,394
Net current liabilities	(2,673,924)	171,708	115,320	164,238	—	(2,425)	448,841		(2,225,083)
Total assets less current liabilities	2,710,112	(305,723)	(359,434)	47,976	—	(2,425)	(619,606)		2,090,506
Capital and reserves									
Share capital	40,756			—	—	—	—		40,756
Reserves	(1,632,930)			(62,678)	—	(2,425)	(65,103)		(1,698,033)
Equity attributable to owners of the Company	(1,592,174)			(62,678)	—	(2,425)	(65,103)		(1,657,277)
Non-controlling interests	1,636,381			—	—	—	—		1,636,381
Total equity	**44,207**			**(62,678)**	**—**	**(2,425)**	**(65,103)**		**(20,896)**
Non-current liabilities									
Bank and other borrowings	2,142,125	(264,577)	(289,926)	—	—	—	(554,503)		1,587,622
Lease liabilities	15,967	—	—	—	—	—	—		15,967
Convertible bonds	507,813	—	—	—	—	—	—		507,813
	2,665,905	(264,577)	(289,926)	—	—	—	(554,503)		2,111,402

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

		Unaudited pro forma adjustments in respect of the Disposals							
	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020	Exclusion of the results of Hebei Sanlong for the year ended 31 December 2020	Exclusion of the results of Shangyi County Shunneng for the year ended 31 December 2020	Estimated loss in respect of the Disposals	Recognition of interest income by the Remaining Group	Reversal of additional depreciation arising from interest capitalisation at group level	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(g)*		
Revenue	1,466,320	(53,585)	(47,639)	—	—	—	—	(101,224)	1,365,096
Cost of sales	(778,226)	20,418	24,890	—	—	7,095	—	52,403	(725,823)
Gross profit	688,094	(33,167)	(22,749)	—	—	7,095	—	(48,821)	639,273
Other income	94,960	(1,391)	(1,226)	—	—	—	—	(2,617)	92,343
Other gains and losses	(224,203)	1	2,917	(60,386)	1,633	—	—	(55,835)	(280,038)
Impairment losses under expected credit loss model, net of reversal	(4,517)	78	69	—	—	—	—	147	(4,370)
Distribution and selling expenses	(11,143)	—	—	—	—	—	—	—	(11,143)
Administrative expenses	(179,555)	46	248	—	—	—	(2,425)	(2,131)	(181,686)
Research and development expenditure	(71,955)	—	—	—	—	—	—	—	(71,955)
Share of profits of associates	1,629	—	—	—	—	—	—	—	1,629
Finance costs	(781,794)	19,776	21,908	—	—	—	—	41,684	(740,110)
Loss before income tax	(488,484)	(14,657)	1,167	(60,386)	1,633	7,095	(2,425)	(67,573)	(556,057)
Income tax expense	(13,138)	1,455	—	—	—	—	—	1,455	(11,683)
Loss for the year	(501,622)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(567,740)
Other comprehensive income:									
Items that may be subsequently reclassified to profit or loss:									
Exchange differences on translating foreign operations	(16)	—	—	—	—	—	—	—	(16)
Fair value gain on receivables at fair value through other comprehensive income	56	—	—	—	—	—	—	—	56
Other comprehensive income for the year	40	—	—	—	—	—	—	—	40
Total comprehensive income for the year	(501,582)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(567,700)

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020	Unaudited pro forma adjustments in respect of the Disposals: Exclusion of the results of Hebei Sanlong for the year ended 31 December 2020	Exclusion of the results of Shangyi County Shunneng for the year ended 31 December 2020	Estimated loss in respect of the Disposals	Recognition of interest income by the Remaining Group	Reversal of additional depreciation arising from interest capitalisation at group level	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(g)*		
(Loss)/Profit for the year attributable to:									
— Owners of the Company	(552,281)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(618,399)
— Non-controlling interests	50,659	—	—	—	—	—	—	—	50,659
	(501,622)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(567,740)
Total comprehensive income for the year attributable to:									
— Owners of the Company	(552,365)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(618,483)
— Non-controlling interests	50,783	—	—	—	—	—	—	—	50,783
	(501,582)	(13,202)	1,167	(60,386)	1,633	7,095	(2,425)	(66,118)	(567,700)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF 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 2020	Exclusion of the cash flow of Hebei Sanlong for the year ended 31 December 2020	Exclusion of the cash flow of Shangyi County Shunneng for the year ended 31 December 2020	Estimated loss in respect of the Disposals	Reinstatement of intra-group cash flows	Repayment of Payables to Shareholders	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(e)*	*Note 3(f)*	*Note 3(g)*		
Net cash (used in)/generated from operating activities	**(23,604)**	**120,343**	**31,274**	**—**	**—**	**—**	**(2,425)**	**149,192**	**125,588**
Investing activities									
Withdrawal of restricted bank deposits	46,871	—	—	—	—	—	—	—	46,871
Receipt from government grants	96,734	—	—	—	—	—	—	—	96,734
Bank interest income received	3,598	(4)	(4)	—	—	—	—	(8)	3,590
Placement of restricted bank deposits	(6,963)	7,000	1,202	—	—	—	—	8,202	1,239
Payments of property, plant and equipment	(36,771)	—	—	—	—	—	—	—	(36,771)
Payment for construction cost in respect of solar power plants	(36,600)	4,281	—	—	—	—	—	4,281	(32,319)
Proceeds on disposal of property, plant and equipment	5,315	—	—	—	—	—	—	—	5,315
Proceeds on disposal of solar power plants	13,826	—	—	—	—	—	—	—	13,826
Payment for acquisition of financial assets at FVTPL	(10,000)	—	—	—	—	—	—	—	(10,000)
Purchases of intangible assets	(88)	—	—	—	—	—	—	—	(88)
Loan repayment from independent third parties	24,299	—	—	—	—	—	—	—	24,299
Loan repayment from the Disposal Group	274,043	—	—	—	—	—	—	—	274,043
Loan advance to the Target Companies	—	—	—	—	(217,563)	—	—	(217,563)	(217,563)
Loan repayment from the Target Companies	—	—	—	—	37,333	—	—	37,333	37,333
Net cash inflow arising from disposal of subsidiaries	1,620,724	—	—	—	—	—	—	—	1,620,724
Dividend received from associates	490	—	—	—	—	—	—	—	490
Acquisition of assets, net	(28,389)	—	—	—	—	—	—	—	(28,389)
Receipt of consideration receivables from deemed disposal of a subsidiary	933	—	—	—	—	—	—	—	933
Receipt of consideration receivables in respect of the disposal of Disposal Group	92,549	—	—	—	—	—	—	—	92,549
Settlement received from amounts due from disposed subsidiaries disposed in previous years	1,134	—	—	—	—	—	—	—	1,134
Cash received from the Disposals	—	—	—	170,000	—	—	—	170,000	170,000
Repayment of Payables to Shareholders	—	—	—	—	—	64,436	—	64,436	64,436
Net cash generated from investing activities	2,061,705	11,277	1,198	170,000	(180,230)	64,436	—	66,681	2,128,386

		Unaudited pro forma adjustments in respect of the Disposals							
	Consolidated statement of cash flows of the Group for the year ended 31 December 2020	Exclusion of the cash flow of Hebei Sanlong for the year ended 31 December 2020	Exclusion of the cash flow of Shangyi County Shunneng for the year ended 31 December 2020	Estimated loss in respect of the Disposals	Reinstatement of intra-group cash flows	Repayment of Payables to Shareholders	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(e)*	*Note 3(f)*	*Note 3(g)*		
Financing activities									
New bank and other borrowings raised	100,405	—	—	—	—	—	—	—	100,405
Repayment of bank and other borrowings	(768,986)	—	—	—	—	—	—	—	(768,986)
Interest paid for bank and other borrowings	(369,736)	6,686	9,452	—	—	—	—	16,138	(353,598)
Interest paid for bond payables	(42,900)	—	—	—	—	—	—	—	(42,900)
Interest paid for convertible bonds	(33,025)	—	—	—	—	—	—	—	(33,025)
Repayment of bond payables	(207,100)	—	—	—	—	—	—	—	(207,100)
Repayment of lease liabilities	(10,454)	—	—	—	—	—	—	—	(10,454)
Advance from independent third parties	5,331	—	—	—	—	—	—	—	5,331
Repayment to independent third parties	(968)	—	—	—	—	—	—	—	(968)
Repayment to the Disposal Group	(573,697)	—	—	—	—	—	—	—	(573,697)
Advance from Remaining Group	—	(168,930)	(48,633)	—	217,563	—	—	—	—
Payment to Remaining Group	—	30,614	6,719	—	(37,333)	—	—	—	—
Net cash used in financing activities	(1,901,130)	(131,630)	(32,462)	—	180,230	—	—	16,138	(1,884,992)
Net increase/(decrease) in cash and cash equivalents	136,971	(10)	10	170,000	—	64,436	(2,425)	232,011	368,982
Cash and cash equivalents at beginning of the year	89,703	(4)	(10)	—	—	—	—	(14)	89,689
Effect of foreign exchange rate changes	72	—	—	—	—	—	—	—	72
Cash and cash equivalents at end of the year, represented by bank balances and cash	226,746	(14)	—	170,000	—	64,436	(2,425)	231,997	458,743

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 2021 as set out in the published interim report of the Group for the six months ended 30 June 2021.

   (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 2020 as set out in the published annual report of the Group for the year ended 31 December 2020.

2. The following pro forma adjustments have been made to the unaudited pro forma condensed consolidated statement of financial position, assuming the disposals of each of the Target Companies had concurrently taken place on 30 June 2021. **The Company would like to draw the attention of the investors and other users of this circular that the completion of the disposals of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that 2 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the share purchase agreement ("SPA") of each individual entity are fulfilled, might or might not be able to dispose of each of the 2 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.**

   (a) The adjustments represent the exclusion of assets and liabilities of the Target Companies as at 30 June 2021, assuming the disposals of each of the Target Companies had concurrently taken place on 30 June 2021. The assets and liabilities of each of the Target Companies are extracted from the relevant unaudited condensed consolidated statements of financial position as at 30 June 2021 set out in Appendix II to this circular.

(b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 30 June 2021 and is calculated as follows:

		Notes	Hebei Sanlong *RMB'000*	Shangyi County Shunneng *RMB'000*	Total *RMB'000*
Cash consideration	A	*(i)*	96,000	74,000	170,000
Carrying amount of net assets of the Target Companies		*(ii)*	41,146	69,508	110,654
Add: Carrying amount of capitalised borrowing costs for qualifying assets at group level		*(iii)*	80,946	35,316	116,262
Adjusted carrying amount of net assets of the Target Companies	B		122,092	104,824	226,916
Original fair value adjustment of amounts due from Target Companies	C	*(iv)*	(53,883)	(16,436)	(70,319)
Modification gain due to change in expected cash flow	D	*(v)*	49,468	15,089	64,557
Estimated loss charged to profit or loss	**E = A-B + C + D**	*(vi)*	**(30,507)**	**(32,171)**	**(62,678)**
Total impact on amounts due from Target Companies	**C + D**		**(4,415)**	**(1,347)**	**(5,762)**

Notes:

(i) Pursuant to the SPAs, the aggregate consideration for the Disposals (the "**Consideration**") is RMB170,000,000, which is determined based on the business enterprise value of the Target Companies as at 31 December 2020 and other factors as detailed in paragraph "Basis of Equity Consideration" in this circular. The Consideration will be settled in three tranches by cash. The first tranche amounting to RMB102,000,000 shall be payable by the Purchaser within 15 business days after fulfilled relevant conditions mentioned in each of SPAs. The second tranche amounting to RMB61,800,000 shall be payable by the Purchaser within 15 business days after the completion of handover all documents and closing audit. The third tranche amounting to RMB6,200,000 would be received within 15 business days after the remedial matter as listed in each of SPAs have been completed and confirmed by the Purchaser. For the preparation of the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021, the consideration of RMB170,000,000 is accounted for as consideration receivable and included in "Trade and other receivables" as at 30 June 2021.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 30 June 2021 which is extracted from the unaudited condensed statement of financial position of each of the Target Companies as at 30 June 2021 as set out in Appendix II to this circular.

(iii) The amount represents the cumulative borrowing costs incurred by the Remaining Group up to 30 June 2021 that were directly attributable to the construction or production of the Target Companies' solar power plants (i.e., qualifying asset) and having been capitalised as part of the cost of the solar power plants at group level. Such borrowings advanced by the Remaining Group to each of the Target Companies were unsecured, interest-free and repayable on demand, thus they were recorded at current liabilities at its principal amount at the entity level of each of the Target Companies as set out in Appendix II to this circular, without recording any accreted interest. Accordingly, in deriving the Group's loss on the disposals of Target Companies, the corresponding cumulative borrowing costs capitalised at group level up to 30 June 2021 were added back to the carrying amount of net assets of the Target Companies.

(iv) The amounts represent the original fair value adjustment of amounts due from Target Companies on 30 June 2021. The amounts due from Target Companies are determined on initial recognition date based on (i) the original estimated future cash flows. Management assessed the payback period of advance from shareholders would be approximately 10 years in full from date of advance as a result of the delay in settlement from receiving tariff subsidies; and (ii) the applicable discount rates that reflect the specific credit risk of each of the Target Companies, which is known as the original effective interest rate. The cumulative imputed interest income recognised up to the completion of the Disposals by the Remaining Group is released to profit or loss.

(v) Upon completion of the Disposals, the Directors considered that the estimated future cash flows of amounts due from Target Companies had been changed, which was different from its original estimate of repayment on the initial recognition date, and revised based on (i) the revised estimated future cash flows with reference to the terms and conditions as described and defined in "Payables to Shareholders" in this circular, which will be settled by each of the Target Companies in two tranches, or the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment; and as assessed by management of the Company, will be within 1 year after the Completion of the Disposals; and (ii) the use of original effective interest rate. Amounts due from Target Companies was therefore remeasured on 30 June 2021, by discounting the revised estimated cash flows at original effective interest rate, and resulted in an increase in its carrying amount with a corresponding modification gain credited to profit or loss. Since the change of estimated future cash flow is revised in accordance with the terms of "Payables to Shareholders", which is considered as part of the arrangement of the Disposals, the related impact is included in the estimated loss on the Disposals, accordingly.

(vi) Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon the actual completion of the Disposals.

(c) The adjustment represents the reinstatement of intra-group current account balances, which have been eliminated at consolidation. In particular, the adjustment on "Amounts due from the Target Companies" comprises amounts due from the Target Companies owned by the Remaining Group of approximately RMB226,302,000 that represents the principal amount of amounts due from the Target Companies.

The amounts due from the Target Companies, as shown in the unaudited pro forma condensed consolidated financial position as at 30 June 2021, restated at amortised cost, calculations of which are as follows:

	Hebei Sanlong	Shangyi County Shunneng	Total
	RMB'000	*RMB'000*	*RMB'000*
Principal amounts of amounts due from Target Companies owned by the Remaining Group	173,407	52,895	226,302
Adjustments to amortised cost	(4,415)	(1,347)	(5,762)
Amounts due from Target Companies at amortised cost	168,992	51,548	220,540

The amortised cost of the amounts due from Target Companies are reassessed by management of the Company based on (i) the expected future cash flows based on their expected timing, amount which are conditional to the completion of the Disposals and certain conditions and are subject to adjustment from the result of closing audit based on the date of the disposals of the Target Companies to be performed by the PRC local auditor of the relevant Target Companies as stipulated in the relevant SPAs, and manner of repayment with reference to the terms and conditions as described in "Payables to Shareholders" in this circular; and (ii) the use of an applicable discount rate that reflects the specific credit risk of each of the Target Companies.

Pursuant to relevant SPAs, the Target Companies shall use their own financial resources or borrowings from the Purchaser to repay the aforesaid Payables to Shareholders, which are determined based on the actual amounts due from Target Companies owned by the Group as at the date of completion of the Disposals. In the event that the Target Companies were unable to settle the Payables to Shareholders, the Purchaser shall be responsible for paying the remaining amounts. Having considered the financial resources of the Purchaser and its parent, the Directors considered that the Target Companies, failing which the Purchaser and its parent, should be financially capable to settle the Payables to Shareholders according to the conditions and timeline as set out in relevant SPAs and detailed in this circular.

(d) The estimated costs and expenses, including stamp duty of RMB85,000 and professional fee of RMB2,340,000 directly incurred for the Disposals that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposals.

Stamp duty is payable on the transfer of equity interest of the Target Companies at a rate of 0.05% on Consideration that stated in the SPAs. The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the actual completion of the Disposals.

Professional fee is incurred by the Company for the Disposals and the amount is subject to change upon the actual completion of the Disposals.

(e) 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 2021 for the purpose of preparation of the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2021.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2020, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2020. **The Company would like to draw the attention of the investors and other users of this circular that the completion of the disposals of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that 2 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the SPA of each individual entity are fulfilled, might or might not be able to dispose of each of the 2 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.**

(a) The adjustments represent the exclusion of the results and cash flows of each of the Target Companies for the year ended 31 December 2020, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2020. The results and cash flows of each of the Target Companies for the year ended 31 December 2020 are extracted from the unaudited condensed statement of profit or loss and other comprehensive income and the unaudited condensed statement of cash flows of each of the Target Companies set out in Appendix II to this circular.

(b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2020 and is calculated as follows:

		Notes	**Hebei Sanlong**	**Shangyi County Shunneng**	**Total**
			RMB'000	*RMB'000*	*RMB'000*
Equity consideration	**A**	*(i)*	96,000	74,000	170,000
Carrying amount of net assets of the Target Companies		*(ii)*	26,571	75,278	101,849
Add: Carrying amount of capitalised borrowing costs for qualifying assets at group level		*(iii)*	88,355	38,549	126,904
Adjusted carrying amount of net assets of the Target Companies	**B**		114,926	113,827	228,753
Original fair value adjustment of amounts due from Target Companies	**C**	*(iv)*	(13,358)	(10,958)	(24,316)
Modification gain due to change in expected cash flow	**D**	*(v)*	12,461	10,222	22,683
Estimated loss charged to profit or loss	**E = A-B + C + D**	*(vi)*	**(19,823)**	**(40,563)**	**(60,386)**

Notes:

(i) Pursuant to the SPAs, the Consideration is approximately RMB170,000,000, details of the consideration for each of the Target Companies are set out in the table above. The Consideration will be settled in three tranches by cash. The first tranche amounting to RMB102,000,000 shall be payable by the Purchaser within 15 business days after fulfilled relevant conditions mentioned in each of SPAs. The second tranche amounting to RMB61,800,000 shall be payable by the Purchaser within 15 business days after the completion of handover all documents and closing audit. The third tranche amounting to RMB6,200,000 would be received within 15 business days after the remedial matter as listed in each of SPAs have been completed and confirmed by the Purchaser. For the purpose of the preparation of unaudited pro forma condensed statement of cash flows, the Consideration for the Disposals is assumed to be fully collected during the year ended 31 December 2020, which is based on the satisfaction of relevant conditions pursuant to the SPA.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 1 January 2020 which is extracted from the unaudited condensed statement of financial position of each of the Target Companies as at 31 December 2019 as set out in Appendix II to this circular.

(iii) The amount represents the cumulative borrowing costs incurred by the Remaining Group up to 1 January 2020 that were directly attributable to the construction or production of the Target Companies' solar power plants (i.e., qualifying asset) and having been capitalised as part of the cost of the solar power plants at group level. Such borrowings advanced by the Remaining Group to each of the Target Companies were unsecured, interest free and repayable on demand, thus they were recorded at current liabilities at its principal amount at the entity level of each of the Target Companies as set out in Appendix II to this circular, without recording any accreted interest. Accordingly, in deriving the Group's loss on the disposals of Target Companies, the corresponding cumulative borrowing costs capitalised at group level up to 1 January 2020 were added back to the carrying amount of net assets of the Target Companies.

(iv) The amounts represent the original fair value adjustment of amounts due from Target Companies on 1 January 2020. The amounts due from Target Companies are determined on initial recognition date based on (i) the original estimated future cash flows. Management assessed the payback period of advance from shareholders would be approximately 10 years in full from date of advance as a result of the delay in settlement from receiving tariff subsidies; and (ii) the applicable discount rates that reflect the specific credit risk of each of the Target Companies, which is known as the original effective interest rate. The cumulative imputed interest income recognised up to the completion of the Disposals by the Remaining Group is released to profit or loss.

(v) Upon completion of the Disposals, the Directors considered that the estimated future cash flows of amounts due from Target Companies had been changed, which was different from its original estimate of repayment on the initial recognition date, and revised based on (i) the revised estimated future cash flows with reference to the terms and conditions as described and defined in "Payables to Shareholders" in this circular, which will be settled by each of the Target Companies in two tranches, or the Purchaser shall supply sufficient funds to the relevant Target Companies to facilitate the timely repayment; and as assessed by management of the Remaining Group, will be within 1 year after the Completion of the Disposals; and (ii) the use of original effective interest rate. Amounts due from Target Companies was therefore remeasured on 1 January 2020, by discounting the revised estimated cash flows at original effective interest rate, and resulted in an increase in its carrying amount with a corresponding modification gain credited to profit or loss. Since the change of estimated future cash flow is revised in accordance with the terms of "Payables to Shareholders", which is considered as part of the arrangement of the Disposals, the related impact is included in the estimated loss on the Disposals, accordingly.

(vi) Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon actual completion of the Disposals.

(c) The adjustment represents the imputed interest income arising from amounts due from Target Companies for the year ended 31 December 2020 using effective interest rate method.

(d) The adjustment represents the reversal of additional depreciation, arising from the borrowing costs capitalised in each of the Target Companies' solar power plants (i.e., qualifying assets), recognised at consolidation, since it was assumed that the Disposals had been completed on 1 January 2020 when preparing the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2020.

(e) The adjustment represents the reinstatement of intra-group cash flows between the Target Companies and the Remaining Group, which had been eliminated at consolidation, when preparing the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2020.

(f) When preparing the unaudited pro forma financial information of the Remaining Group for the year ended 31 December 2020, pursuant to the relevant SPAs, the "Payables to Shareholders", which was recognised as "Amounts due from Target Companies" by the Remaining Group, owed by the Target Companies to the Vendors should be settled in two tranches with certain conditions. The Directors assumed that these conditions would be met within twelve months upon the completion of the Disposals, therefore, for the purpose of the preparation of unaudited pro forma condensed consolidated statements of cash flows, the aggregate amount of the "Payables to Shareholders" totalling approximately RMB64,436,000 was assumed to be fully collected during the year ended 31 December 2020.

(g) The estimated costs and expenses, including stamp duty of RMB85,000 and professional fee of RMB2,340,000 directly incurred for the Disposals that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposals.

Stamp duty is payable on the transfer of equity interest of the Target Companies at a rate of 0.05% on Consideration that stated in the SPAs. The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the completion of the Disposals.

Professional fee is incurred by the Company for the Disposals and the amount is subject to change upon the actual completion of the Disposal.

(h) 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 2020 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 2020.

(i) 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.

The following is the text of a report, set out on pages III-16 to III-19 received from BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group prepared for the purpose of incorporation in this circular.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

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TO THE DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited 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 (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 and related notes as set out on pages III-1 to III-15 of the circular dated 24 December 2021 (the "**Circular**") in connection with the proposed disposals of the entire equity interests in (i) Hebei Sanlong Electricity Technology Co. Ltd.* (河北三龍電力科技有限公司) ("**Hebei Sanlong**") and (ii) Shangyi County Shunneng Photovoltaic Electricity Co., Ltd.* (尚義縣順能光伏電力有限公司) ("**Shangyi County Shunneng**") (collectively referred to as the "**Target Companies**"), which in aggregate constitute a very substantial disposal transaction (the "**Disposals**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-15 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposals on the Group's condensed consolidated financial position as at 30 June 2021 and the Group's financial performance and cash flows for the year ended 31 December 2020 as if the Disposals had taken place at 30 June 2021 and 1 January 2020, respectively. 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 2021, on which a review report with disclaimer of conclusion has been published, and financial performance and cash flows have

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

been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2020, on which an auditor's report with disclaimer of opinion has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA 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, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 2021 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited 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 judgement, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited pro forma financial information has been properly compiled by the Directors 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 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
24 December 2021

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 2018, 2019 and 2020, and the six months ended 30 June 2021.

The Remaining Business immediately after the Disposals comprises the PRC Power Generation Business with on grid capacity of approximately 480MW.

FOR THE YEAR ENDED 31 DECEMBER 2018

Solar power generation

During the year ended 31 December 2018, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 234,867MWh.

	For the year ended 31 December		% of
	2017	**2018**	**Changes**
	MWh	*MWh*	
Power generation volume	216,846	234,867	8.3%

As at 31 December 2018, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 281MW of on-grid generation.

Business review

For the year ended 31 December 2018, the revenue of the Post Disposal Remaining Group was approximately RMB186 million.

Revenue increased by approximately RMB8 million, or 4.5%, from RMB178 million for the year ended 31 December 2017, primarily attributable to the fact that participate in multilateral transactions, hence to reduce the restrict for electricity.

For the year ended 31 December 2018, the cost of sales of the Post Disposal Remaining Group increased by approximately RMB7 million, or 6.5%, from approximately RMB108 million for the year ended 31 December 2017 to approximately RMB115 million for the year ended 31 December 2018, primarily attributable to decrease in the purchase cost of the solar products, as a result of which the gross profit of the Post Disposal Remaining Group was approximately RMB71 million.

For the year ended 31 December 2018, the other income of the Post Disposal Remaining Group for the year ended 31 December 2018 was approximately RMB7 million, which consists of, among other things, the imputed interest income of accrued revenue on tariff subsidy of approximately RMB3 million.

For the year ended 31 December 2018, other gains and losses of the Post Disposal Remaining Group recorded a net loss of approximately RMB258 million. The net other gains and losses of the Post Disposal Remaining Group consist of, among other things, net loss on foreign exchange.

For the year ended 31 December 2018, the distribution and selling expenses of the Post Disposal Remaining Group was approximately RMB0.03 million. For the year ended 31 December 2018, the administrative expenses of the Post Disposal Remaining Group was approximately RMB176 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB60 million, and certain other group-level audit, legal consulting and other related expenses of approximately RMB104 million.

For the year ended 31 December 2018, the research and development expenditure of the Post Disposal Remaining Group was approximately RMB4 million.

For the year ended 31 December 2018, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB3 million.

For the year ended 31 December 2018, the finance costs of the Post Disposal Remaining Group was approximately RMB792 million, which primarily consists of interest on the borrowing of approximately RMB4,608 million, interest on the current bonds payables of approximately RMB830 million and interest on convertible bonds of approximately RMB1,679 million.

As a result of the factors above, for the year ended 31 December 2018, the loss for the year of the Post Disposal Remaining Group was approximately RMB1,282 million.

The loss of the Post Disposal Remaining Group for the year ended 31 December 2018 was primarily attributable to the finance costs of approximately RMB792 million.

Solar power plants

As at 31 December 2018, the principal assets of the Post Disposal Remaining Group were the solar power plants, the carrying value of which was approximately RMB2,140 million.

Liquidity, financial resources and capital structure

As at 31 December 2018, the net liability value of the Post Disposal Remaining Group was approximately RMB1,665 million.

As at 31 December 2018, the total assets of the Post Disposal Remaining Group were approximately RMB9,032 million, of which the non-current assets were approximately RMB7,489 million and the current assets were approximately RMB1,543 million.

As at 31 December 2018, the total liabilities of the Post Disposal Remaining Group were approximately RMB10,697 million, of which the non-current liabilities were approximately RMB1,295 million and the current liabilities were approximately RMB9,402 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 –1,464.0% as at 31 December 2017 to –422.8% as at 31 December 2018.

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 2018.

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 2018, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB7,040 million, which included cash and cash equivalents of approximately RMB77 million and bank and other borrowings of RMB4,608 million, convertible bonds of RMB1,679 million and bonds payable of RMB830 million.

Financing activities

During year ended 31 December 2018, the Post Disposal Remaining Group earned continuous support from financial institutions to fund the development of the PRC Power Generation Business. In 2018, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

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

As at 31 December 2018, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB77 million and approximately RMB277 million, respectively.

Inventories

As at 31 December 2018, the inventories of the Post Disposal Remaining Group were approximately RMB28 million, which primarily comprises raw materials, work-in-progress and finished goods of the solar products.

Trade and other receivables

As at 31 December 2018, the trade and other receivables were approximately RMB579 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 31 December 2018, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB4,608 million, of which the current amount of borrowings was approximately RMB4,312 million and the non-current amount of borrowings was approximately RMB296 million. The current amount of borrowings primarily consists of the Sino Alliance Facility of approximately RMB2,191 million, the loans from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB859 million and short-term loans of the PRC Power Generation Business of approximately RMB1,096 million. The non-current amount of borrowings primarily consists of long-term loans of the PRC Power Generation Business of approximately RMB296 million.

Derivative financial liabilities

As at 31 December 2018, the derivative financial liability of the Post Disposal Remaining Group was approximately RMB3 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 2018, the total amount of convertible bonds of the Post Disposal Remaining Group was approximately RMB1,679 million, of which the current amount of convertible bonds was approximately RMB682 million and the non-current amount of convertible bonds was approximately RMB997 million. The current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB36 million, the second tranche convertible bonds of approximately RMB2 million and the fourth tranche convertible bonds of approximately RMB644 million. The non-current amount of convertible bonds primarily consists of the first tranche convertible bonds of approximately RMB14 million, the second tranche convertible bonds of approximately RMB370 million and the fourth tranche convertible bonds of approximately RMB613 million.

Bonds payables

As at 31 December 2018, the total amount of bonds payables by the Post Disposal Remaining Group was approximately RMB830 million, all of which are current amount of bonds payables and primarily consist of the corporate bonds of approximately RMB830 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 2018.

Current ratio

As at 31 December 2018, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.16.

Capital commitments

The Post Disposal Remaining Group had no capital commitment in relation to the construction-in-progress of PRC Power General Business as at 31 December 2018.

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 as at 31 December 2018.

Employees and remuneration policies

As at 31 December 2018, the total number of employees of the Post Disposal Remaining Group was 117.

For the year ended 31 December 2018, the staff costs of the Post Disposal Remaining Group was approximately RMB43 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 2018, 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 RMB173 million and certain property, plant and equipment, prepaid lease payments, rights-of-use assets, other deposits included in other non-current assets and solar power plants with carrying amount of approximately RMB434 million to various banks for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 31 December 2018, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB280 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 31 December 2018, 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 2018, the Post Disposal Remaining Group provided guarantees to Independent Third Parties with a total amount of approximately RMB364 million, of which approximately RMB269 million has been provided and recognised as provision in the statement of financial position. As at 31 December 2018, 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 2018.

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 229,532MWh.

	For the year ended 31 December		% of
	2018	**2019**	**Changes**
	MWh	*MWh*	
Power generation volume	234,867	229,532	–2.3%

As at 31 December 2019, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 295MW of on-grid generation.

Business review

For the year ended 31 December 2019, the revenue of the Post Disposal Remaining Group was approximately RMB179 million.

Revenue decreased by approximately RMB7 million, or –3.8%, from RMB186 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 RMB4 million, or –3.5%, from approximately RMB115 million for the year ended 31 December 2018 to approximately RMB111 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 RMB68 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 RMB4 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB4 million.

For the year ended 31 December 2019, other gains and losses of the Post Disposal Remaining Group recorded a net loss of approximately RMB1,252 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 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 RMB0.6 million.

For the year ended 31 December 2019, the finance costs of the Post Disposal Remaining Group were approximately RMB716 million, which primarily consist of the interest on the borrowing of approximately RMB4,152 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 RMB2,103 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 RMB716 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 RMB1,900 million.

Liquidity, financial resources and capital structure

As at 31 December 2019, the net liability value of the Post Disposal Remaining Group was approximately RMB3,156 million.

As at 31 December 2019, the total assets of the Post Disposal Remaining Group were approximately RMB5,469 million, of which the non-current assets were approximately RMB2,270 million and the current assets were approximately RMB3,199 million.

As at 31 December 2019, the total liabilities of the Post Disposal Remaining Group were approximately RMB8,625 million, of which the non-current liabilities were approximately RMB1,024 million and the current liabilities were approximately RMB7,601 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 –422.8% as at 31 December 2018 to –172.8% 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 RMB5,453 million, which included cash and cash equivalents of approximately RMB25 million, bank and other borrowings of RMB4,152 million, convertible bonds of RMB501 million, and bonds payable of RMB825 million.

Financing activities

During year ended 31 December 2019, the Post Disposal Remaining Group continued to receive support from financial institutions to fund the development of the PRC Power Generation Business. In 2019, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

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 RMB1,156 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 RMB4,153 million, of which the current amount of borrowings was approximately RMB3,605 million and the non-current amount of borrowing was approximately RMB548 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 RMB887 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 RMB548 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 0.42.

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 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 RMB158 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 RMB74 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 252,328MWh.

	For the year ended 31 December		% of
	2019	**2020**	**Changes**
	MWh	*MWh*	
Power generation volume	229,532	252,328	9.9%

As at 31 December 2020, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 295MW of on-grid generation.

Business review

For the year ended 31 December 2020, the revenue of the Post Disposal Remaining Group was approximately RMB205 million.

Revenue increased by approximately RMB26 million, or 14.5%, from RMB179 million for the year ended 31 December 2019, primarily attributable to the increase 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 increased by approximately RMB11 million, or 9.9%, from approximately RMB111 million for the year ended 31 December 2019 to approximately RMB122 million for the year ended 31 December 2020, primarily attributable to the increase 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 RMB20 million, which consists of, among other things, the government grants of approximately RMB10 million and imputed interest income of accrued revenue on tariff subsidy of approximately RMB5 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 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 RMB87 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 RMB1.6 million.

For the year ended 31 December 2020, the finance costs of the Post Disposal Remaining Group were approximately RMB509 million, which primarily consist of the interest on the borrowing of approximately RMB3,613 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 RMB388 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 RMB509 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 RMB1,699 million.

Liquidity, financial resources and capital structure

As at 31 December 2020, the net liability value of the Post Disposal Remaining Group was approximately RMB2,899.

As at 31 December 2020, the total assets of the Post Disposal Remaining Group were approximately RMB4,439 million, of which the non-current assets were approximately RMB2,125 million and the current assets were approximately RMB2,314 million.

As at 31 December 2020, the total liabilities of the Post Disposal Remaining Group were approximately RMB7,338 million, of which the non-current liabilities were approximately RMB1,468 million and the current liabilities were approximately RMB5,870 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 –172.9% as at 31 December 2019 to –162.5% 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 RMB4,710 million, which included cash and cash equivalents of approximately RMB50 million, bank and other borrowings of RMB3,613 million, convertible bonds of RMB529 million, and bonds payable of RMB618 million.

Financing activities

During year ended 31 December 2020, the Post Disposal Remaining Group continued to receive support from financial institutions to fund the development of the PRC Power Generation Business. In 2020, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

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 RMB616 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 RMB3,613 million, of which the current amount of borrowings was approximately RMB2,651 million and the non-current amount of borrowing was approximately RMB962 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 RMB951 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, 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 0.39.

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 RMB260 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 RMB817 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 SIX MONTHS ENDED 30 JUNE 2021

Solar Power Generation

During the six months ended 30 June 2021, the solar power plants owned by the Post Disposal Remaining Group generated an aggregate of approximately 158,716MWh.

	For the six months ended 30 June		**% of**
	2020	**2021**	**Changes**
	MWh	*MWh*	
Power generation volume	117,621	158,716	34.9%

As at 30 June 2021, the Post Disposal Remaining Group's solar power plants successfully realised a total installed capacity of approximately 295MW of on-grid generation.

Business review

For the six months ended 30 June 2021, the revenue of the Post Disposal Remaining Group was approximately RMB118 million.

Revenue increased by approximately RMB11 million, or 10.3%, from RMB107 million for the six months ended 30 June 2020, primarily attributable to increase in power generation volume from the solar power plants in the PRC.

For the six months ended 30 June 2021, the cost of sales of the Post Disposal Remaining Group increased by approximately RMB5 million, or 8.6%, from approximately RMB58 million for the six months ended 30 June 2020 to approximately RMB63 million for the six months ended 30 June 2021, primarily attributable to increase in power generation volume from the solar power plants in the PRC.

For the six months ended 30 June 2021, the other income of the Post Disposal Remaining Group was approximately RMB5 million, which consists of, among other things, imputed interest income of accrued revenue on tariff subsidy of approximately RMB3 million.

For the six months ended 30 June 2021, other gains and losses of the Post Disposal Remaining Group recorded a net gains of approximately RMB9 million. The net other gains and losses of the Post Disposal Remaining Group consist of, among other things, net gain on foreign exchange and an impairment loss on solar power plant.

For the six months ended 30 June 2021, there was no distribution and selling expenses of the Post Disposal Remaining Group. For the six months ended 30 June 2021 the administrative expenses of the Post Disposal Remaining Group was approximately RMB35 million, which primarily consist of administrative expenses for the PRC Power Generation Business of approximately RMB23 million and certain other group-level audit, legal consulting and other related expenses of approximately RMB11 million.

For the six months ended 30 June 2021, there was no research and development expenditure of the Post Disposal Remaining Group.

For the six months ended 30 June 2021, the share of profits of associates of the Post Disposal Remaining Group was approximately RMB1.5 million.

For the six months ended 30 June 2021, the finance costs of the Post Disposal Remaining Group were approximately RMB228 million, which primarily consist of the interest on the borrowing of approximately RMB3,560 million, interest on the current bonds payables of approximately RMB585 million and interest on convertible bonds of approximately RMB545 million.

As a result of the factors above, for the six months ended 30 June 2021, 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 2021 was primarily attributable to the finance costs of approximately RMB228 million.

Solar power plants

As at 30 June 2021, the principal assets of the Post Disposal Remaining Group were the solar power plants, and the carrying value of which was approximately RMB1,639 million.

Liquidity, financial resources and capital structure

As at 30 June 2021, the net liability value of the Post Disposal Remaining Group was approximately RMB3,105 million.

As at 30 June 2021, the total assets of the Post Disposal Remaining Group were approximately RMB4,233 million, of which the non-current assets were approximately RMB2,023 million and the current assets were approximately RMB2,210 million.

As at 30 June 2021, the total liabilities of the Post Disposal Remaining Group were approximately RMB7,338 million, of which the non-current liabilities were approximately RMB1,294 million and the current liabilities were approximately RMB6,044 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 –162.5% as at 31 December 2020 to –150.6% as at 30 June 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 30 June 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 30 June 2021, the Post Disposal Remaining Group was in a negative net cash position of approximately RMB4,674 million, which included cash and cash equivalents of approximately RMB16 million, bank and other borrowings of RMB3,560 million, convertible bonds of RMB545 million, and bonds payable of RMB585 million.

Financing activities

During six months ended 30 June 2021, the Post Disposal Remaining Group continued to receive support from financial institutions to fund the development of the PRC Power Generation Business. In the first six months of 2021, the Company had successfully obtained loans from financial institutions. These funds served as a continuous support for enhancing liquidity and future business development.

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

As at 30 June 2021, (i) the bank balances and cash and (ii) restricted bank deposits of the Post Disposal Remaining Group were approximately RMB16 million and approximately RMB8 million, respectively.

Trade and other receivables

As at 30 June 2021, the trade and other receivables were approximately RMB519 million, which primarily comprise accrued revenue on tariff subsidy, trade receivables and amounts due from Independent Third Parties.

Borrowings

As at 30 June 2021, the total amount of borrowings of the Post Disposal Remaining Group was approximately RMB3,560 million, of which the current amount of borrowings was approximately RMB2,788 million and the non-current amount of borrowing was approximately RMB772 million. The current amount of borrowings of the Post Disposal Remaining Group primarily comprises the Sino Alliance Facility of approximately RMB958 million, the loan from China Minsheng Banking Corp., Ltd Hong Kong Branch* (民生銀行香港分行) of approximately RMB649 million and short-term loans of the PRC Power Generation Business of approximately RMB821 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 RMB699 million.

Derivative financial liability

As at 30 June 2021, there was no derivative financial liability of the Post Disposal Remaining Group.

Convertible bonds

As at 30 June 2021, the total amount of convertible bonds of the Post Disposal Remaining Group was approximately RMB545 million, of which the current amount of convertible bonds was approximately RMB37 million and the non-current amount of convertible bonds was approximately RMB508 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 RMB45 million, the second tranche convertible bonds of approximately RMB370 million and the third tranche convertible bonds of approximately RMB93 million.

Bonds payables

As at 30 June 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 30 June 2021.

Current ratio

As at 30 June 2021, the current ratio of the Post Disposal Remaining Group (calculated as the current assets divided by current liabilities) was 0.37.

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 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 six months ended 30 June 2021.

Employees and remuneration policies

As at 30 June 2021, the total number of employees of the Post Disposal Remaining Group was 94.

For the six months ended 30 June 2021, the staff costs of the Post Disposal Remaining Group was approximately RMB31 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 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 RMB395 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 RMB826 million to various banks for securing loans and general credit facilities granted to the Post Disposal Remaining Group.

As at 30 June 2021, the Post Disposal Remaining Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB19 million to banks to secure banking credit facilities granted to the Post Disposal Remaining Group.

Save as disclosed above, as at 30 June 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 30 June 2021, the Post Disposal Remaining Group provided guarantees to Independent Third Parties and a related party with a total amount of approximately RMB186 million, of which approximately RMB186 million has been provided and recognised as provision in the statement of financial position. As at 30 June 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 six months ended 30 June 2021.

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.

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

Dear Sirs/Madams,

Re: Valuation of Business Enterprise Value of 2 Solar Power Plants

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 2 solar power plants (the "**Targets**") as of 31 December 2020 (the "**Valuation Date**"). We understand that Shunfeng International Clean Energy Limited (the "**Company**", "**SFCE**" or "**you**") intends to dispose the entire shareholding of the Targets (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 Targets.

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 Targets are referring to the 2 solar power plants owned by SFCE with an aggregate production capacity of 93 megawatts ("**MW**"). They are mainly located at Hebei province of the PRC.

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

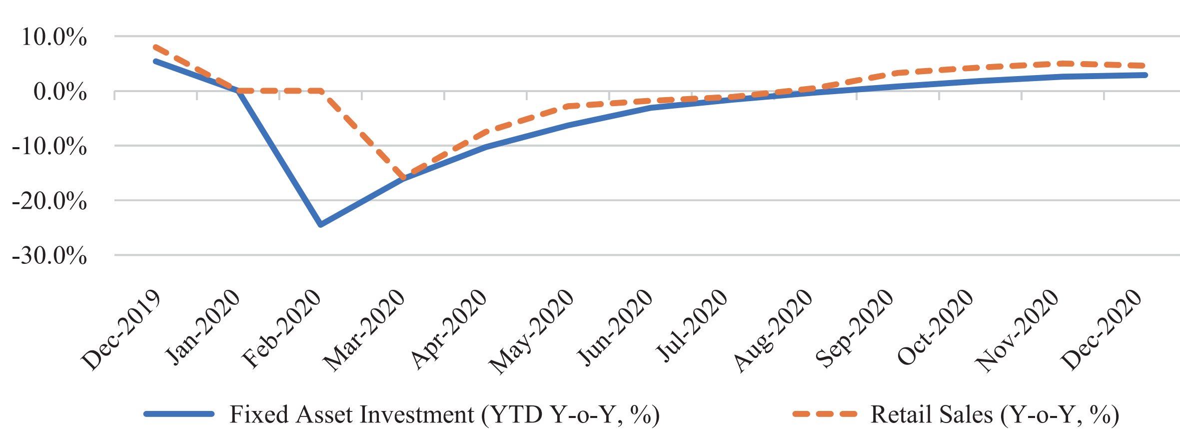
ECONOMIC OVERVIEW

Overview of the PRC economy

China has been showing signs of recovery from the virus-induced recession while the European countries and the U.S are still struggling to contain the spread of the Coronavirus Disease 2019 (the "**COVID-19**"). The real GDP growth of China accelerated by 6.5% year-on-year ("**y-o-y**") in Q4 2020, reversing the economy to the growth path with 2.3% y-o-y for the whole year from the virus-induced contraction in early 2020. According to the National Bureau of Statistics of China (the "**NBS**"), the fixed asset investment increased by 2.9% year-to-date ("**YTD**") y-o-y in December 2020, of which the investment in infrastructure rose by 0.9% YTD y-o-y. Meanwhile, the retail sales increased by 4.6% y-o-y in December 2020 with a growth trend for 5 consecutive months and decreased by 3.9% over 2020, of which the online sales accounted for 24.9%. According to China's General Administration of Customs (the "**Customs**"), the exports surged by 18.1% y-o-y in December 2020 and increased by 3.6% y-o-y for the full year of 2020, primarily driven by the rising overseas demand for PPE and electronic products as mentioned.

Despite improving data of investment and retail sales, the inflation environment facing the consumers and producers remained muted in the final month of 2020. The NBS reported that the consumer price index (the "**CPI**") rose by 0.2% y-o-y in December 2020. The core CPI, which excludes volatile food and energy prices, increased by 0.8% y-o-y in 2020 as a whole. In addition, it has been in deflation for the producer price index (the "**PPI**") since February 2020, with -0.4% y-o-y in December 2020 and -1.8% y-o-y in the whole year of 2020 reported by the NBS. Therefore, the monetary and fiscal stimulus would still play a role in sustaining the economic recovery at a steady pace.

Fixed Asset Investment and Retail Sales, Y-o-Y

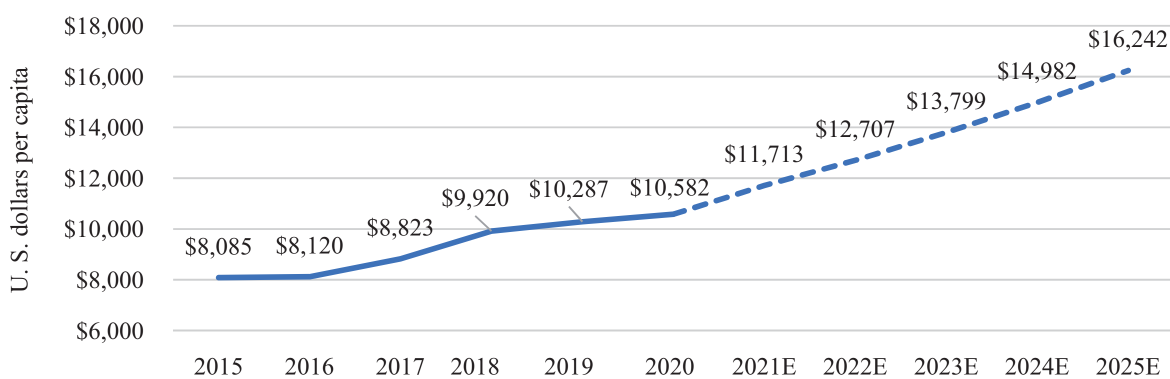


(Source: NBS)

To tackle the economic challenges from the COVID-19 outbreak in early 2020, China rolled out numerous monetary measures to stimulate the economy in crisis. Specifically, the People's Bank of China (the "**PBoC**") announced cuts on the rates of one-year medium-term lending facility ("**MLF**") loans to financial institutions. The rates were reduced by 10bps to 3.15% in February 2020 and by another 20bps to 2.95% in April 2020. Meanwhile, the growth of money supply ("**M2**") also advanced in the first half of 2020, significantly outpacing the growth level in 2019. In the period between April 2020 and November 2020, the y-o-y increase of China's money supply remained solidly at around 11%, higher than the y-o-y growth of 8.7% in December 2019. The reductions of the key rate lower financing cost and facilitate the easing monetary environment for economic recovery.

Looking ahead, despite better control of the spread of COVID-19 in China, the ongoing virus containment measures in the western countries will weigh on the recovery of global demand. According to the World Bank, global growth is expected to be 4% and 3.8% in 2021 and 2022, respectively. With the Chinese government promoting the dual-circulation strategy, domestic demand is expected to be the key driver for the recovery path of China's economy. According to International Monetary Fund ("**IMF**"), China's GDP per capita is forecasted to reach USD16,242 in 2025, which drives the domestic demand with expanding middle-class as "internal circulation" for the long-term growth of China's economy.

China's GDP Per Capita (2015–2025E)



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

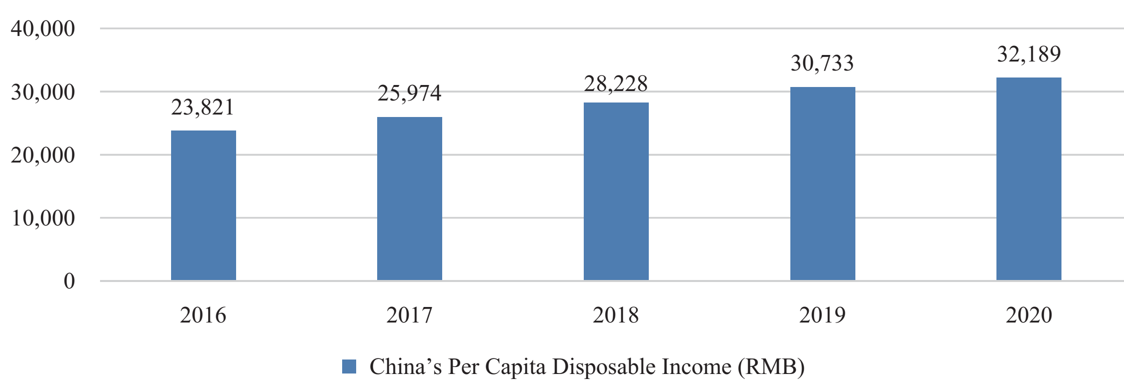
INDUSTRY OVERVIEW

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 RMB32,189 in 2020 from RMB23,821 in 2016, representing a compounded annual growth rate ("**CAGR**") of 7.8% across the period. The increase in disposable income leads to the increase in energy consumption. Despite the COVID-19, the total energy consumption in 2020 amounted to 4.98 billion tons of standard coal equivalent, up by 2.2% over that of 2019. 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 24.3% in 2020.

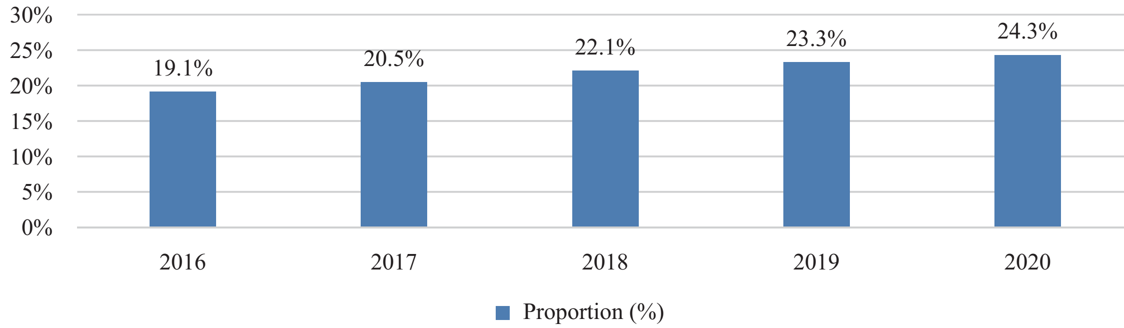
The increase in the consumption of clean energy was supported by government's policies. To tackle the air pollution problems and provide more sustainable energy source, the PRC government announced a series of energy-related policies that appear to lay out the basic framework for the 14th Five-Year Plan 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.

China's Per Capita Disposable Income (2016–2020)



(Source: National Bureau of Statistics of China)

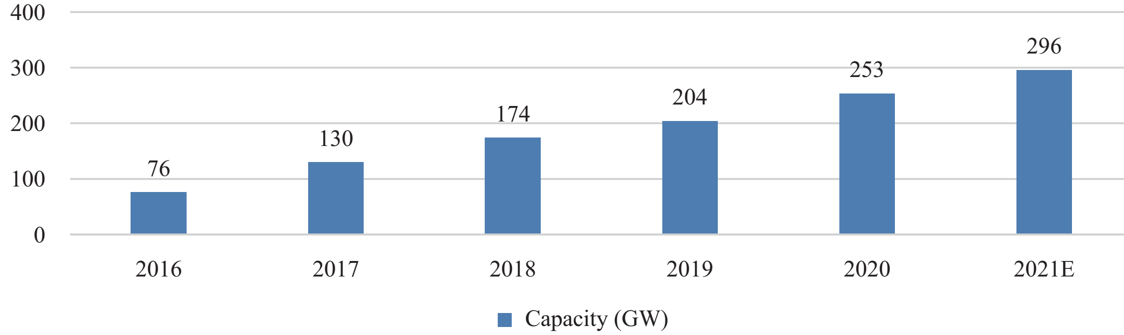
The Proportion of Clean Energy Consumption in the Total Energy Consumption (2016–2020)



(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% since 2016.

Cumulative Installed PV Capacity of the PRC (2016–2021E)



(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 Targets).

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

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Targets and the financial projections of the Targets (the "**Projection**") as of 31 December 2020 provided by the management of the Company (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 Targets will be operated with the corporate structure and operation model as projected by the Management;
- The financial and operating results of the Targets;
- The economic outlook in general and the specific economic and competitive elements affecting the Targets' businesses, their industry and their market;
- The nature and prospects of the industry of the Targets are 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 Targets' operation; and
- The business risks of the Targets.

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 Targets are operating;
- There will be no major changes in the current taxation law in the countries that the Targets 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 Targets' operation in accordance with the Projection;
- The Targets will retain and have competent management, key personnel, and technical staff to support their 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 Targets, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Targets:

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 Targets, 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. This method factors in the specific conditions and risks inherent in 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 Targets. 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 Targets are project companies 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 companies, 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 Targets.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

To determine the future cash flow derived from the Targets, 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 lives of the Targets, which is estimated to be 25 years since the launch of the solar power plant in accordance with the respective feasibility studies of the Targets. 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 Targets are 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 Targets 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 Targets, which is 93MWh in total. 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. 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, Management expected the government restriction will be gradually reduced to zero from 2023 onwards. Therefore, the effective power generation hours are expected to have certain improvements in 2021 and 2022, 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.

(3) Operating Expenses

Operating expenses of the Targets mainly refer to the operation and maintenance services provided by a third-party, depreciation and amortization, electricity fee and other administrative expenses. 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).

(4) Interest Expenses

Interest expense mainly refers to the interest payment arising from the borrowings of the Targets. According to the Management, such interest expenses are tax deductible. The interest expense is projected making reference to the repayment schedules of the loan agreements. The tax shield benefit of the Targets is considered separately by adding to the Intrinsic Value to derive the business enterprise value of the Targets. For details, please refer to the section of "Adjustment of Tax Shield on Interest Expenses Attributable to the Loan Outstanding".

(5) Tax expenses

The corporate income tax is 25% in the PRC. According to the Enterprise Income Tax Law in the PRC, as the Targets are 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 Targets have completed construction and commenced operation. 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 Targets mainly includes account receivable (in relation to the FIT and on-grid electricity tariff), account payable and tax payable.

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 Targets 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 2020	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.	RMB794mm	0.17
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.	HKD178,387mm	0.86
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.	RMB5,059mm	0.15

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2020	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.	RMB1,134mm	0.07
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.	RMB21,899mm	0.41
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.	RMB216mm	0.29

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2020	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.	RMB306mm	0.37
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.	HKD8,322mm	0.49
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.	RMB998mm	0.10

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2020	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.	RMB3,257mm	0.21
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.	RMB5,854mm	0.08

#	Company Name	Stock Code	Business Description	Market Capitalization as of 31 December 2020	Unlevered Beta
12)	China Shuifa Singyes Energy Holdings Limited	SEHK: 750	China Shuifa Singyes Energy 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.	RMB1,698mm	0.18
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.	RMB7,066mm	0.62

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

$Ke = Rf + \beta(ERP) + PSP$

Where

Ke	=	Required return on equity			
Rf	=	Risk-free rate of return	=	3.14%	The Rf is based on the yield of long-term China government bond as of the Valuation Date.
β	=	Unlevered Beta	=	0.31	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. The tax shield benefit is comprised of the tax shield of interest payment that are originated from the loan outstanding. The discount rate adopted in discounting the tax shield was the corresponding pre-tax cost of debt of the Targets, which was based on the actual borrowing rates of the Targets. The weighted average borrowing rate of the Targets is approximately 6.3%.

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 Targets are 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 Targets are 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 Targets 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 Targets was derived at approximately RMB948 million. For details, please refer to below illustration:

As of 31 December 2020
(RMB'000 unless otherwise specified)

Years ending 31 December	**2021**	**2022**	**2023**	**2024**	**2025**	**2026...**	**2030...**	**2035...**	**2038...**	**2041**
Revenue *(note 1 & 2)*	106,735	112,165	117,490	116,494	115,498	114,503	110,520	105,542	42,084	20,429
Growth Rate (year-on-year)	*–3.9%*	*5.1%*	*4.7%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Breakdown by Entities:										
Hebei Sanlong	56,719	59,480	62,187	61,660	61,133	60,606	58,498	55,863	22,242	10,797
Shangyi Shunneng	50,015	52,685	55,303	54,834	54,365	53,897	52,022	49,679	19,842	9,632
Less: Operating Expenses	(44,940)	(45,133)	(45,330)	(45,495)	(45,665)	(45,841)	(46,599)	(47,687)	(18,013)	(4,194)
Breakdown by Entities:										
Hebei Sanlong	(20,411)	(20,497)	(20,585)	(20,676)	(20,769)	(20,866)	(21,281)	(21,874)	(13,009)	(2,155.9)
Shangyi Shunneng	(24,529)	(24,636)	(24,745)	(24,819)	(24,896)	(24,975)	(25,318)	(25,813)	(5,004)	(2,038)
Profit Before Tax	**61,795**	**67,033**	**72,160**	**70,999**	**69,833**	**68,662**	**63,921**	**57,855**	**24,072**	**16,235**
Less: Income Tax Expense	(7,172)	(16,758)	(18,040)	(17,750)	(17,458)	(17,165)	(15,980)	(14,464)	(6,018)	(4,059)
Net Profit	**54,623**	**50,274**	**54,120**	**53,249**	**52,375**	**51,496**	**47,941**	**43,391**	**18,054**	**12,177**
Adjustment:										
Add: Depreciation & Amortization	39,304	39,451	39,602	39,758	39,919	40,084	40,796	41,814	12,091	1,345
Less: Capital Expenditure	(2,895)	(2,981)	(3,071)	(3,163)	(3,258)	(3,356)	(3,777)	(4,378)	—	—
Add: Decrease/(Increase) in Working Capital	2,835	95,519	59,625	68,972	903	799	532	530	1,017	(1,266)
Free Cash Flow to Enterprise	**93,867**	**182,263**	**150,276**	**158,816**	**89,939**	**89,024**	**85,492**	**81,357**	**31,162**	**12,255**
Cumulative Free Cash Flow to Enterprise	**93,867**	**276,131**	**426,407**	**585,223**	**675,162**	**764,185**	**1,112,415**	**1,527,497**	**1,710,721**	**1,778,477**
Discount Rate	**7.0%**									
Discounted Free Cash Flow Value	**1,097,817**									
Adjustment of Tax Shield Benefit	**28,373**									
Business Enterprise Value (Before LOMD)	**1,126,190**									
Less: LOMD *15.8%*	**(177,938)**									
Business Enterprise Value (After LOMD)	**948,252**									

Note 1: Power Generation Output (MWH) ('000)

	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026... Forecast	2030... Forecast	2035... Forecast	2038... Forecast	2041 Forecast
Hebei Sanlong	70,597	74,034	77,403	76,747	76,091	75,435	72,811	69,531	67,563	32,798
Growth Rate (year-on-year)		*4.9%*	*4.6%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*
Shangyi Shunneng	62,450	65,783	69,052	68,467	67,881	67,296	64,955	62,030	60,274	29,259
Growth Rate (year-on-year)		*5.3%*	*5.0%*	*–0.8%*	*–0.9%*	*–0.9%*	*–0.9%*	*–0.9%*	*–1.0%*	*–1.0%*

Note 2: Average Electricity Tariff (RMB)

	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026... Forecast	2030... Forecast	2035... Forecast	2038... Forecast	2041 Forecast
Hebei Sanlong	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.33	0.33
Shangyi Shunneng	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.33	0.33

Note 3: The totals in the above illustration may not add up because of rounding.

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 Targets are project companies 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 Targets are 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.

#	Company Name	Stock Code	Business Description
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.
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 Energy Holdings Limited	SEHK: 750	China Shuifa Singyes Energy 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 Targets, are 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 Targets, 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 Targets. 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 Targets 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 2020	Enterprise Value as of 31 December 2020	EBITDA(1)	EV/EBITDA Before LOMD and Control Premium	EV/EBITDA After LOMD and Control Premium
1	Solargiga	RMB	794	2,739	392	7.0	7.3
2	Xinyi Solar	HKD	178,387	188,019	4,734	39.7	41.7
3	GCL	RMB	5,059	43,048	4,634	9.3	9.8
4	Kong Sun	RMB	1,134	10,359	1,146	9.0	9.5
5	GCL-Poly	RMB	21,899	76,167	5,266	14.5	15.2
6	Comtec Solar	RMB	216	467	(43)	N/A	N/A
7	LongiTech	RMB	306	380	(184)	N/A	N/A
8	Beijing Enterprises	HKD	8,322	35,258	2,317	15.2	16.0
9	Shunfeng	RMB	998	12,110	1,138	10.6	11.2
10	Concord	RMB	3,257	10,375	1,304	8.0	8.4
11	Beijing Energy	RMB	5,854	22,328	1,833	12.2	12.8
12	China Singyes	RMB	1,698	6,585	(205)	N/A	N/A
13	Xinyi	HKD	37,399	38,586	1,720	22.4	23.6
14	China Everbright	HKD	7,066	18,580	3,045	6.1	6.4
	Maximum						41.73
	Minimum						6.41
	Median						**11.18**
	Average						14.71
	Lack of Marketability Discount ("LOMD")(2)						**15.8%**
	Control Premium(3)						**24.8%**

	(RMB'million)
Indicated business enterprise value of the Target by Income Approach	948.25
2020 EBITDA of the Target	98.25
Implied EV/EBITDA multiple of the Target	**9.65**

As derived under the APV methodology, the implied EV/EBITDA multiple of the Targets was equal to 9.65x. Although the multiple is lower than the median and mean of the comparable companies (11.18x and 14.71x respectively as illustrated above), considering the comparable companies are under an assumption of perpetual life while the Targets are with discrete definite life, such slight discount is considered to be not unreasonable. Since the resulting multiple of the Targets 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 2020. 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 Targets are 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 Targets' shares. The report "Control Premium Study: 4rd Quarter 2020" by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium is 24.8%. 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 Targets.

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 Targets as of the Valuation Date is RMB948 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 Director

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.

6 October 2021

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

Dear Sirs,

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

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

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

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

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

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

To the Board of Directors of Shunfeng International Clean Energy Limited

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

Directors' Responsibility for the Discounted Future Cash Flows

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibility

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

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

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

Opinion

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

Other Matters

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

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

Yours faithfully

BDO Limited
Certified Public Accountants
Hong Kong, 6 October 2021

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

(c) Service contract

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

(d) Other disclosures under the SFO

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares 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 7)*	Approximate percentage of issued Shares
Peace Link	Beneficial owner *(Note 1)*	2,599,335,467 (L)	52.17%
Asia Pacific Resources	Beneficial owner and interest of controlled corporation *(Note 2)*	2,674,892,658 (L)	53.69%
Mr. Cheng	Beneficial owner and interest of controlled corporation *(Note 3)*	2,681,844,658 (L)	53.83%
Coherent Gallery International Limited	Beneficial owner *(Note 4)*	242,967,960 (L)	4.88%
Faithsmart Limited	Interest of controlled corporation *(Note 5)*	2,674,892,658 (L)	53.69%
Mr. Tang Guoqiang	Interest of controlled corporation *(Note 6)*	392,968,898 (L)	7.89%
Bank of Communications Co., Ltd	Persons having a security interest in shares *(Note 7)*	619,230,457 (L)	12.43%

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 1,402,774,101 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. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources 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.

6. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and therefore, Mr. Tang Guoqiang is deemed to be interested in 242,967,960 Shares held by Coherent Gallery International Limited for the purpose of the SFO.

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

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

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares 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
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 2020, the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or 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 agreements dated 16 March 2020 entered into between Jiangxi Shunfeng and Shanghai Shunneng as the vendors and Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) as the purchaser in relation to the sale and purchase of the 2020 Subject Companies with the consideration including cash payment of RMB181.1 million and repayment of relevant payables of RMB287.8 million (subject to adjustment to the relevant payables);

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

(iii) 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;

(iv) the 7 sale and purchase agreements dated 13 August 2021 entered into between 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) as the vendors and 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) 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); and

(v) the Sale and Purchase Agreements.

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 Thursday, 13 January 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms defined in the circular dated 24 December 2021 shall have the same meanings when used in this notice.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Hebei Sanlong SPA 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 Hebei Sanlong SPA and the Disposal contemplated thereunder."

2. "**THAT**

   (a) the Shangyi County Shunneng SPA 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 Shangyi County Shunneng SPA and the Disposal contemplated thereunder."

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

Hong Kong, 24 December 2021

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy 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 Monday, 10 January 2022 to Thursday, 13 January 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 Friday, 7 January 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 resolutions 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.