
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Ruifeng Renewable Energy Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED

中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**



Capitalised terms used on this cover page have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 22 of this circular. A letter of recommendation from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Opus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 54 of this circular. A notice convening the EGM to be held at No. 173, Wu Lie Road, Shuang Qiao District, Chengde City, Hebei Province, the People’s Republic of China at 11:00 a.m. on Tuesday, 19 April 2022 is set out on pages 60 to 63 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend such meeting, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of the power of attorney or authority, to the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjourned meeting thereof (as the case may be) should you so wish and in such event, your appointment of proxy under any proxy form shall be deemed to be revoked.

Precautionary measures will be implemented at the EGM in light of the public health situation. The Company strongly recommends you to monitor the development of the public health situation and to assess, based on the social distancing policies, the necessity for attending the above meeting in person. Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

29 March 2022

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 January 2022 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China Ruifeng Renewable Energy Holdings Limited (中國瑞風新能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date of Completion pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.1800 per Conversion Share (subject to price adjustments)
“Conversion Restrictions”	the restrictions imposed on the conversion of the Convertible Bonds into Conversion Shares
“Conversion Rights”	the rights to convert the Convertible Bonds into Conversion Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the instrument constituting the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the 10% unsecured convertible bonds in the aggregate principal amount of HK\$356,375,000 due 2025 to be issued by the Company pursuant to the Subscription Agreement
“Diamond Era”	Diamond Era Holdings Limited, a company incorporated under the laws of BVI with limited liability and a substantial Shareholder holding 423,490,325 Shares as at the Latest Practicable Date and is wholly-owned by Mr. Zhang
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate
“Filled Converge”	贏匯有限公司 (Filled Converge Limited), a company incorporated under the laws of BVI with limited liability holding the 2019 Convertible Bonds in the principal amount of HK\$294,183,000 as at the Latest Practicable Date and is wholly-owned by Mr. Zhang
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Zhang and his associates who are required to abstain from voting at the EGM
“Last Trading Date”	28 January 2022, being the last full trading day of the Shares on the Stock Exchange immediately prior to the signing of the Subscription Agreement
“Latest Practicable Date”	22 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Zhixiang (張志祥), an executive Director, the Chief Executive Officer and a substantial Shareholder
“PRC”	the People’s Republic of China, which, for the purposes of this circular only, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription by Filled Converge of the Convertible Bonds as contemplated under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28 January 2022 entered into among the Company and Filled Converge in relation to the subscription for the Convertible Bonds in the aggregate principal amount of HK\$356,375,000
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Well Foundation”	Well Foundation Company Limited, a company incorporated in Hong Kong with limited liability, holding the 2019 Convertible Bonds in the principal amount of HK\$19,612,000 as at the Latest Practicable Date
“2019 Convertible Bonds”	the convertible bonds in the aggregate amount of HK\$313,795,000 issued by the Company under a specific mandate to Filled Converge and Well Foundation on 25 March 2019, pursuant to the subscription agreement dated 31 December 2019 entered into between the Company, Filled Converge and Well Foundation
“%”	per cent

In this circular, the English names of the PRC entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED

中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

Executive Directors:

Mr. Zhang Zhixiang (*Chief Executive Officer*)

Mr. Ning Zhongzhi

Mr. Li Tian Hai

Mr. Peng Ziwei

Registered Office:

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Jiang Senlin

Mr. Qu Weidong

Ms. Hu Xiaolin

Principal place of Business in

Hong Kong:

Room 1002, 10/F

Shui On Centre

6-8 Harbour Road

Wanchai, Hong Kong

29 March 2022

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement dated 28 January 2022 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information in respect of, among other things, (i) further information of the Subscription Agreement and the Convertible Bonds; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

MAJOR TERMS OF THE 2019 CONVERTIBLE BONDS

Maturity date: 25 March 2021

Interest rate: 8% per annum

Conversion price: HK\$0.475 per conversion share

Parties: the Company (as issuer);

Filled Converge (as subscriber); and

Well Foundation (as subscriber)

The total principal amount of the 2019 Convertible Bonds was HK\$313,795,000, of which Filled Converge and Well Foundation subscribed for HK\$294,183,000 and HK\$19,612,000, respectively. As at the date of the Subscription Agreement, the total outstanding amount of the 2019 Convertible Bonds owed to the two (2) bondholders, comprising the principal amount and interest payable, was HK\$383,026,471.31, with HK\$356,371,148.38 owed to Filled Converge and HK\$26,655,322.93 owed to Well Foundation, respectively. The total outstanding amount of the 2019 Convertible Bonds owed to Filled Converge (i.e. HK\$356,371,148.38) is expected to be fully settled through the issue of the Convertible Bond on a dollar-for-dollar basis. As at the date of the Subscription Agreement, the Company was unable to reach any agreements with Well Foundation, being one of the bondholders of the 2019 Convertible Bonds in respect of the settlement arrangement following the expiry of the 2019 Convertible Bonds. The Company has been under the negotiation and discussion with Well Foundation since January 2021. Given the latest negotiations between the Company and Well Foundation, the Company and Well Foundation have mutually agreed to discuss the settlement plans by the end of 2022 in relation to the outstanding 2019 Convertible Bonds payable to Well Foundation.

LETTER FROM THE BOARD

As stated in the inside information announcement of the Company dated 30 January 2022, the 2019 Convertible Bonds have not been further extended and had therefore matured on 25 March 2021. The Company has attempted to amend and extend the terms of the 2019 Convertible Bonds with its bondholders by entering into the supplemental agreements, details of which are stated in the announcement of the Company dated 29 January 2021. As disclosed in the announcements of the Company dated 24 March 2021 and 29 June 2021, since the conditions precedent set out in the supplemental agreements could not be fulfilled or waived on or before the extended long stop date (i.e. 24 April 2021), the supplemental agreements had lapsed and were no longer valid. Therefore, the bondholders of the 2019 Convertible Bonds can demand to redeem all or part of the 2019 Convertible Bonds at any time by exercising their rights under the 2019 Convertible Bonds.

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 28 January 2022 (after trading hours), the Company and Filled Converge entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$356,375,000.

SUBSCRIPTION AGREEMENT

Date: 28 January 2022

Parties: the Company (as issuer); and

Filled Converge (as subscriber)

Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Filled Converge is an associate of Mr. Zhang and accordingly a connected person (as defined under the Listing Rules) of the Company.

Subject matter

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$356,375,000 which will be used for the settlement of the outstanding principal amount and interest payable by the Company to Filled Converge under the 2019 Convertible Bonds.

LETTER FROM THE BOARD

The outstanding sums payable to Filled Converge under the 2019 Convertible Bonds are expected to be fully settled through the issue of the Convertible Bond on the Completion Date, on a dollar-for-dollar basis. The outstanding principal amount and interest payable of the 2019 Convertible Bonds to Filled Converge were approximately HK\$294,183,000 and HK\$62,188,000 respectively.

Conversion Price

The Conversion Price of HK\$0.1800 per Conversion Share, which shall be subject to price adjustment, represents:

- (a) a premium of approximately 2.27% over the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 9.09% over the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (c) a premium of approximately 7.14% over the average closing price of HK\$0.168 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date.

The Conversion Price was arrived at after arm's length negotiations among the Company and Filled Converge, taking into account of, among others, the recent market prices of the Shares and the prevailing market conditions. In addition, the Conversion Price is set at a premium over the closing price of the Shares on the Last Trading Date, and therefore the Convertible Bonds are currently out-of-money and the possibility for Filled Converge to convert the Convertible Bonds seems remote. The Directors (excluding Mr. Zhang who was required to abstain from voting) consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Based on the estimated net proceeds from the issue of the Convertible Bonds of approximately HK\$356,045,000 and a total of 1,979,861,111 Conversion Shares to be issued at the initial Conversion Price of HK\$0.1800 each upon exercise of the Conversion Rights in full, the net issue price per Conversion Share is approximately HK\$0.1798.

Conversion Shares

As at the Latest Practicable Date, the Company had a total of 1,979,140,800 Shares in issue. The Convertible Bonds carry the Conversion Rights to convert into the Conversion Shares at the Conversion Price of HK\$0.1800 per Conversion Share (subject to price adjustment). For

LETTER FROM THE BOARD

illustrative purpose, assuming the Conversion Rights are exercised in full at the Conversion Price upon Completion, 1,979,861,111 new Shares will be allotted and issued to Filled Converge (subject to the Conversion Restrictions), representing approximately 100.04% of the total number of issued Shares as at the Latest Practicable Date and approximately 50.01% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other changes to the total number of Shares from the Latest Practicable Date to the Completion Date. The details of the shareholdings of the Company before and after the Completion are set out in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” below.

The Conversion Shares, when allotted and issued, will be credited as fully paid, free from any security interest and will rank *pari passu* in all respects with the Shares in issue on the conversion date.

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

Conditions precedent to the Subscription

Completion is conditional upon the following conditions being satisfied or, if applicable, waived:

- (a) Filled Converge having conducted due diligence exercise (technical, financial and legal) on the Company and satisfied with the results thereof;
- (b) the warranties of the Company being true, accurate, correct and complete in all material respects when made and remaining true, accurate, correct and complete and not misleading as at the Completion Date;
- (c) the Company having redeemed the 2019 Convertible Bonds payable to Filled Converge and settled all outstanding interest thereunder through offsetting the amount payable against the principal amount of the Convertible Bonds payable by Filled Converge;
- (d) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company or Filled Converge objects) listing of and permission to deal in the Conversion Shares falling to be issued and allotted upon the exercise of the Conversion Rights or otherwise pursuant to the Subscription Agreement;

LETTER FROM THE BOARD

- (e) the passing by the Independent Shareholders at the general meeting to be convened by the Company of the necessary resolution(s) to approve the Subscription Agreement and the instrument constituting Convertible Bonds, the allotment and issue of the Conversion Shares and the transactions contemplated thereunder;
- (f) the compliance by the Company of any other requirements under the Listing Rules or otherwise of the Stock Exchange which requires compliance in relation to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds, the execution of the instrument constituting the Convertible Bonds, the allotment and issue of the Conversion Shares);
- (g) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations thereunder by the Company (including but not limited to, the issue of the Convertible Bonds, the execution of the instruments constituting the Convertible Bonds, the issue of the certificates for the Convertible Bonds, the allotment and issue of the Conversion Shares); and
- (h) (where applicable and required) having obtained of all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations thereunder by Filled Converge (including but not limited to the Subscription).

The Company and Filled Converge may at their absolute discretion, waive compliance with any or all of the above condition precedent, save and except conditions (d) to (f), which shall not be waivable at all times and the Company shall use its best endeavours to procure the fulfillment of the conditions precedent. If the above conditions precedent have not been fulfilled (or, if applicable, waived) on or before 31 July 2022 (the “**Long Stop Date**”), or such other date as the parties may agree in writing, the Subscription Agreement will lapse and the parties will be released from all obligations thereunder, save for the liabilities for any antecedent breach thereof (if any).

The subscription of the Convertible Bonds by Filled Converge constitutes a connected transaction of the Company and is subject to the despatch to Shareholders of this circular and the approval of the Independent Shareholders at the EGM. The parties to the Subscription Agreement agreed after arm’s length negotiations to set the Long Stop Date on 31 July 2022 as a buffer to allow the clearance of this circular, convening of the EGM and other unforeseen circumstances that may arise. Notwithstanding the Long Stop Date, the parties to the Subscription Agreement will

LETTER FROM THE BOARD

(i) use their best endeavours to procure the fulfillment of the conditions precedent as soon as possible; and (ii) proceed to Completion as soon as the approval of the Independent Shareholders of the Subscription and the grant of Specific Mandate are obtained and other conditions precedent under the Subscription Agreement are fulfilled.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Completion shall take place on the date falling within seven (7) business days after the date on which all conditions precedent have been fulfilled or waived (or such other date as the parties may agree in writing).

On the Completion Date, the Convertible Bonds will be issued by the Company to Filled Converge (or its nominee) at full face value of HK\$356,375,000. Provided that HK\$356,371,148.38 was owed by the Company to Filled Converge under the 2019 Convertible Bonds, Filled Converge shall pay to the Company the outstanding principal amount of the Convertible Bonds which is not offset against the amount payable by the Company to Filled Converge under the 2019 Convertible Bonds (i.e. HK\$3,851.62) by cheques, cashier orders or other means acceptable to the Company on the Completion Date (if any).

CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$356,375,000
Status:	The Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least pari passu with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.

LETTER FROM THE BOARD

- Conversion price: HK\$0.1800 per Conversion Share, subject to adjustment which include consolidation, sub-division and reclassification of the Shares, capitalisation issue, capital distributions, rights issues of Shares or options over Shares or other securities of the Company, issue of Shares or other securities of the Company in discount, modification of rights of conversion and other offer of securities. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued at a discount to their par value.
- Maturity date: The date falling on the third anniversary of the issue date of the Convertible Bonds (the “**Maturity Date**”).
- Interest: 10% per annum payable every six months from the issue date in arrears until maturity, conversion or early redemption.
- Default interest: 20% per annum on any outstanding amount due under the Convertible Bonds accrued from the due date to the date of payment in full.
- Conversion period: Subject to the terms and conditions of the Convertible Bonds and in particular, the Conversion Restrictions, Filled Converge may exercise its right to convert all or any part of the principal amount of the Convertible Bonds in integral multiple of HK\$1,000 into Conversion Shares at any time during the period from and including the second (2nd) business day from the issue date up to the close of business on the maturity date of the Convertible Bonds.
- Conversion restrictions: Conversion shall be subject to the following conditions:
- (a) Filled Converge shall comply with the obligation under Rule 26 of the Takeovers Code upon any exercise of the Conversion Rights; and
 - (b) any exercise of the Conversion Rights shall not render the Company no longer be able to maintain the minimum public float of the Shares as required under the Listing Rules.

LETTER FROM THE BOARD

Redemption:

Unless previously redeemed, converted, purchased or cancelled, the Convertible Bonds will be redeemed on the Maturity Date at such amount equivalent to (i) 100% of the principal amount of the outstanding Convertible Bonds plus any accrued and unpaid interest; and (ii) with respect to the outstanding Convertible Bonds as at the date of the maturity date, (a) an amount equal to a gross yield to maturity of 15% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to and including the actual date of payment) minus (b) all interest paid on or prior to the maturity date.

The Company may at any time from the issue date but not less than fourteen Business Days prior to the maturity date, redeem any amount of the Convertible Bonds at the amount equivalent to (i) the principal amount of the redeemed Convertible Bonds plus any accrued and unpaid interest up to and including the date of the redemption notice and (ii) with respect to the redeemed Convertible Bonds as at the date of the redemption notice, (a) an amount equal to a gross yield to maturity of 15% per annum (calculated on the principal amount of the redeemed Convertible Bond for the period from and including the issue date up to and including the actual date of payment) minus (b) all interest paid thereon on or prior to the date of the redemption notice.

Upon occurrence of any event of default, Filled Converge may demand the Company to redeem all or such part of the Convertible Bonds at (i) 100% of the principal amount of outstanding Convertible Bonds plus any accrued and unpaid interest on the date of the relevant written notice being served to the Company and (ii) with respect to the outstanding Convertible Bonds as at the date of the relevant written notice, (a) an amount equal to a gross yield to maturity of 15% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to and including the actual date of payment) minus (b) all interest paid thereon on or prior to the date of the relevant written notice.

LETTER FROM THE BOARD

Transferability: The Convertible Bonds are transferrable in integral multiple of HK\$1,000 except to connected persons (as defined in the Listing Rules) or direct competitors of the Company.

Listing: No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

The Convertible Bonds shall not confer on Filled Converge any right to attend or vote at any Shareholders' meeting of the Company.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the shares which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of wind power generation sectors in the PRC.

INFORMATION OF FILLED CONVERGE

Filled Converge is a company incorporated in the BVI with limited liability. Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Its principal business is investment holding.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had a total of 1,979,140,800 Shares in issue. For illustrative purpose, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to Completion Date, the shareholding structures of the Company: (i) as at the Latest Practicable Date; (ii) upon Completion and assuming the shareholdings of Diamond Era and Filled Converge at 29.9% in aggregate; and (iii) upon Completion and assuming full exercise of the Conversion Rights attaching to the Convertible Bonds when the Conversion Restrictions apply, are illustrated as follows:

LETTER FROM THE BOARD

Shareholders	As at the		Upon Completion and assuming the shareholdings of Diamond Era and Filled Converge at 29.9% in aggregate		Upon Completion and assuming full exercise of the Conversion Rights attaching to the Convertible Bonds when the Conversion Restrictions apply (Note 3)	
	Latest Practicable Date					
	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%
Diamond Era (Notes 1)	423,490,325	21.40	423,490,325	19.08	423,490,325	10.70
Filled Converge (Notes 1, 2 and 3)	—	—	240,046,754	10.82	1,979,861,111	50.01
Public Shareholders	1,555,650,475	78.60	1,555,650,475	70.10	1,555,650,475	39.29
Total	1,979,140,800	100	2,219,187,554	100	3,959,001,911	100

Notes:

- Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era and Filled Converge. Mr. Zhang is deemed, or taken to be, interested in the Shares in which Diamond Era and Filled Converge are interested for the purpose of the SFO. Mr. Zhang is an executive Director and a substantial Shareholder.
- As at the Latest Practicable Date, Filled Converge holds the 2019 Convertible Bonds issued by the Company on 25 March 2019 in the principal amount of HK\$294,183,000. Assuming Filled Converge's conversion right under the 2019 Convertible Bonds were exercised in full, the total of 619,332,631 new Shares will be issued to Filled Converge, representing approximately 23.46% of total issued Shares issued by the Company as at the Latest Practicable Date. The 2019 Convertible Bonds payable to Filled Converge are expected to be fully redeemed upon Completion.
- The shareholdings of the Company set out in the above table are for illustration purpose only. As the Conversion Restrictions stipulate that any exercise of the Conversion Rights shall (i) be complied with the obligation under Rule 26 of the Takeovers Code by Filled Converge; or (ii) not render the Company no longer be able to maintain the minimum 25% public float of the Shares as required under the Listing Rules.
- As at the Latest Practicable Date, the total number of 179,900,000 share options of the Company have been granted to various grantees with the exercise price per Share of HK\$0.18. For further details, please refer to the announcement of the Company dated 29 January 2021. No share option has been exercised as at the Latest Practicable Date.
- As at the Latest Practicable Date, the Company has a total of 395,000,000 outstanding warrants with an amended warrant exercise price of HK\$0.22 per warrant share. For further details, please refer to the announcement of the Company dated 5 August 2021. No outstanding warrants have been exercised as at the Latest Practicable Date.

LETTER FROM THE BOARD

Assuming full conversion of the principal amount of the Convertible Bond of HK\$356,375,000 at the Conversion Price, a total of maximum 1,979,861,111 Shares will be issued, representing approximately 100.04% of the total existing share capital of the Company and approximately 50.01% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The 2019 Convertible Bonds were matured on 25 March 2021 upon which the Company would be required to deploy its cash reserves to redeem the 2019 Convertible Bonds. Provided that Well Foundation has shown no sign of entering into any arrangement to renew or to subscribe for new convertible bonds of the Company in order to replace the 2019 Convertible Bonds, Well Foundation has the right to demand repayment of the 2019 Convertible Bonds at any time. Since Well Foundation has shown no sign to renew or extend the 2019 Convertible Bonds, amending the terms and extending the maturity of the 2019 Convertible Bonds are not applicable. The issue of Convertible Bonds to Filled Converge allows the Company to (i) postpone substantial cash outflow and release the liquidity and working capital pressure of the Company; (ii) the net proceeds from the Subscription, which will be approximately HK\$356,045,000, are expected to fully settle the total amount owed to Filled Converge under the 2019 Convertible Bonds; (iii) the issue of the Convertible Bonds is an appropriate financing option for the Group as compared with other financing alternatives; and (iv) the Subscription demonstrates the confidence of the subscriber, who is an executive Director and a substantial Shareholder, in the future development of the Company.

The Directors (save for Mr. Zhang who was required to abstain from voting) consider that the Subscription represents an appropriate means of meeting its payment obligations to Filled Converge under the 2019 Convertible Bonds taking account into the fact that the Subscription represents an opportunity for the Company to postpone such substantial cash outflow, release the liquidity and working capital pressure of the Company in this financial year, that the Subscription would not have an immediate dilution effect on the shareholdings of the existing Shareholders and the interest payable under the Convertible Bonds is more stable and predictable than bank borrowings, and that exercise of the conversion rights attached to the Convertible Bonds would strengthen the Company's financial position.

The Directors (save for Mr. Zhang who was required to abstain from voting) have considered other alternatives for settlement of the 2019 Convertible Bonds apart from the Subscription, including but not limited to debt financing and pure equity financing, such as rights issue, open offer or placing of new Shares.

LETTER FROM THE BOARD

In terms of obtaining bank borrowings from commercial banks, the Directors (save for Mr. Zhang who was required to abstain from voting) is of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence exercise, banks' internal risk assessment and negotiations with commercial banks that usually require pledge of assets by the borrower. With reference to the interim report for the six months ended 30 June 2021 of the Company, as at 30 June 2021, the Group has pledged certain property, plant and equipment and leasehold land, including right-of-use assets, with a total carrying value of approximately RMB975.0 million as collaterals for the borrowings obtained by the Group. Furthermore, shares in the Company's subsidiaries were also pledged for borrowings obtained by the Group as at 30 June 2021. As at 30 June 2021, approximately 82.7% of the total value of property, plant and equipment and the right-of-use assets amounting to approximately RMB1,178.8 million, have been secured against borrowings. Given that the Company would not be able to provide material assets pledge for potential loans and considering the less-than-satisfactory financial performance of the Group with a loss-making position for consecutive years, it is anticipated that the commercial banks will require a higher interest rate for the loans. In addition, the Company refers to its list of indebtedness as at 30 June 2021 and noted that (i) the interest rates of the existing bank loans, notes and other borrowings of the Group ranged from 7.0% to 10.0% per annum; and (ii) the interest rate of the short-term notes of the Company was 16.0% per annum. The Directors (save for Mr. Zhang who was required to abstain from voting) have considered that (i) further debt financing may not be available given the Group's capital deficiency position; and (ii) the cost of debt financing for any new bank borrowing may significantly be higher as compared to its existing cost of debt. Therefore, the Directors (save for Mr. Zhang who was required to abstain from voting) are of the view that the debt financing from commercial banks will not be easily accessible and would bring about undesirable effects to the financial position of the Company, hence such funding method is not in the interests of the Company and its Shareholders as a whole.

The Directors (save for Mr. Zhang who was required to abstain from voting) have also considered that if the Company were to raise the necessary funds by way of placing of new Shares, rights issue or open offer, the subscription price would have to be set at a deep discount to the prevailing market price of the Shares so as to attract subscription by potential investors or existing Shareholders. In addition, rights issue or open offer of new Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to a standard force majeure clause in favour of the underwriter and may incur a higher transaction cost (i.e. underwriting and other related fees). Furthermore, placing, rights issue or open offer of new Shares will incur immediate dilution effect on the shareholding of non-participating Shareholders while the dilution effect on the Convertible Bonds will only occur when the bondholder exercises the conversion rights attaching to the Convertible Bonds. In addition, the Company will be released from the repayment obligation at maturity if the Convertible Bonds are fully converted into new Shares prior to the maturity date.

LETTER FROM THE BOARD

In terms of evaluating the fairness and reasonableness of interest rate of the Convertible Bonds, the Directors (save for Mr. Zhang who was required to abstain from voting) have taken into account the following: (i) the interest rate of the Convertible Bonds (i.e. 10% per annum) is within the range of the interest rates charged on the existing debt financing, notes and other borrowings of the Company; (ii) as discussed above, the Company is not able to provide material assets pledge for potential loan and the less-than-satisfactory financial performance of the Group with a loss making position for consecutive years, the Company expects that a higher interest rate than 10% per annum may be required by the commercial banks. Therefore, the Directors (save for Mr. Zhang who was required to abstain from voting) are of the view that the interest rate of the Convertible Bonds is on normal commercial terms or better, fair and reasonable; and in the interests of the Company and its shareholders as a whole.

In light of the above, the Directors (save for Mr. Zhang who was required to abstain from voting) consider that the terms of the Subscription Agreement and the Convertible Bonds, are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Approximate net proceeds	Actual use of proceeds
		raised (HK\$)	
5 August 2021	Placing of up to 395,828,160 warrants each carrying the right to subscribe for one (1) Share pursuant to the placing agreement with Zhongtai International Securities Limited	HK\$5,600,000	As at the Latest Practicable Date, approximately HK\$2,300,000 has been utilised for the payment of salaries and emoluments. The unused portion of the net proceeds are expected to be utilised during 2022 for the payment of salaries and emoluments. Such unutilised proceeds have been placed as deposits with licensed banks in the PRC and Hong Kong.

LETTER FROM THE BOARD

Save as disclosed above, the Directors confirm that the Company has not conducted any fund raising activities involving the issue of its equity securities in the twelve (12) months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Filled Converge is an associate of Mr. Zhang and accordingly a connected person of the Company. As such, the subscription of the Convertible Bonds by Filled Converge constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang has material interest in the Subscription and has abstained from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

EGM AND PROXY ARRANGEMENT

In light of the Government of the Hong Kong Special Administrative Region's announcement on the new regulations, including a ban on conducting of physical general meeting of companies, to combat the spread of COVID-19 with effect from 10 February 2022, as well as the uncertainty of the development of COVID-19 and the corresponding restriction measures, the EGM will be convened and held at No. 173, Wu Lie Road, Shuang Qiao District, Chengde City, Hebei Province, the People's Republic of China at 11:00 a.m. on Tuesday, 19 April 2022, with a notice thereof set out on pages 60 to 63 of this circular, for the purpose of considering and, if thought fit, passing the resolution in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).

In addition, Shareholders may, however, view and listen to the EGM through a live webcast of the EGM which can be accessed by going to <https://voovmeeting.com/dm/wK3TTlmcyT8R> on a computer, tablet or any browser-enabled device. Shareholders will be able to access the live webcast at the start of the EGM until its conclusion, and submit questions during the EGM through the webcast link provided. Shareholders can also submit questions on the business of the EGM in advance to the email account ir@c-ruifeng.com. Details of accessing the live webcast of the EGM will be provided to Shareholders upon request by email to the aforementioned email address no later than 3 business days before the EGM is convened.

As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, Mr. Zhang, through Diamond Era, was interested in 423,490,325 Shares, representing approximately 21.40% of the total number of Shares in issue. Mr. Zhang is considered

LETTER FROM THE BOARD

to have material interests in the transactions contemplated under the Subscription Agreement. Mr. Zhang and his associates will therefore abstain from voting on the resolution to be proposed at the EGM approving the entering into of the Subscription Agreement and transactions contemplated thereunder.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the Latest Practicable Date, no other Shareholder had a material interest in the Subscription Agreement and therefore no other Shareholder was required to abstain from voting on the proposed resolution approving the entering into of the Subscription Agreement and the transactions contemplated thereunder.

To ensure that the Shareholders' right to vote at the EGM is not undermined, a form of proxy to appoint the Chairman as the proxy of the Shareholders for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.c-rui Feng.com). Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the EGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Subscription Agreement; and (ii) the letter from Opus Capital set out on pages 25 to 54 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Subscription Agreement.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Opus Capital, the Independent Financial Adviser, considers that the terms of the Subscription Agreement in relation to the Subscription thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors, including the independent non-executive Directors, are of the view that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be put at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the appendix headed “General Information” to this circular.

Yours faithfully,
By Order of the Board
China Ruifeng Renewable Energy Holdings Limited
Zhang Zhixiang
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).



CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED

中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

29 March 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 29 March 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).

We wish to draw your attention to the letter of advice from Opus Capital, the Independent Financial Adviser, as set out on pages 25 to 54 of the Circular and the letter from the Board as set out on pages 5 to 22 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinions of, Opus Capital as stated in the aforementioned letter of advice, we are of the opinion that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).

Yours faithfully,

Independent Board Committee

China Ruifeng Renewable Energy Holdings Limited

Mr. Jiang Senlin

*Independent non-executive
Director*

Mr. Qu Weidong

*Independent non-executive
Director*

Ms. Hu Xiaolin

*Independent non-executive
Director*

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Subscription Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



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

29 March 2022

*To: the Independent Board Committee and the Independent Shareholders of
China Ruifeng Renewable Energy Holdings Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate, details of which are set out in the letter from the Board (the **"Letter from the Board"**) contained in the circular of the Company dated 29 March 2022 (the **"Circular"**), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 28 January 2022 (after trading hours), the Company and Filled Converge entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$356,375,000 which will be used for the settlement of the outstanding principal amount and interest payable by the Company to Filled Converge under the 2019 Convertible Bonds.

LETTER FROM OPUS CAPITAL

As at the Latest Practicable Date, the Company had a total of 1,979,140,800 Shares in issue. The Convertible Bonds carry the Conversion Rights to convert into the Conversion Shares at the Conversion Price of HK\$0.1800 per Conversion Share (subject to price adjustment). For illustrative purpose, assuming the Conversion Rights are exercised in full at the Conversion Price upon Completion, 1,979,861,111 new Shares will be allotted and issued to Filled Converge (subject to the Conversion Restrictions), representing approximately 100.04% of the total number of issued Shares as at the Latest Practicable Date and approximately 50.01% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other changes to the total number of Shares from the Latest Practicable Date to the Completion Date. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Filled Converge is an associate of Mr. Zhang and accordingly a connected person of the Company. As such, the subscription of the Convertible Bonds by Filled Converge constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Diamond Era, which is wholly-owned by Mr. Zhang, holds 423,490,325 Shares as at the Latest Practicable Date, representing approximately 21.40% of the total number of Shares in issue. Mr. Zhang and his associates will be required to abstain from voting on the resolution in respect of the Subscription Agreement and the transactions contemplated thereunder at the EGM. To the best of the information, belief and knowledge of the Directors, save for Mr. Zhang and his associates, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder. Save for Mr. Zhang, none of the Directors has a material interest in the Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, being all the independent non-executive Directors, has been formed to advise and make recommendation to the Independent Shareholders as to: (i) whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) whether the Subscription is in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote on the resolution in relation to the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the

LETTER FROM OPUS CAPITAL

Specific Mandate, to be proposed at the EGM. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this regard.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company for a connected transaction in respect of the proposed amendments to the terms and conditions of the 2019 Convertible Bonds (the “**Previous Transaction**”), details of which are set out in the announcement of the Company dated 10 September 2020. The Previous Transaction is independent to our current appointment in relation to the Subscription Agreement.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Mr. Zhang, Filled Converge or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Previous Transaction, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the Previous Transaction and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Mr. Zhang, Filled Converge or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

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

- (i) the Company’s interim report for six months ended 30 June (“**1H**”) 2021 (the “**2021 Interim Report**”);
- (ii) the Company’s annual report for the year ended 31 December (“**FY**”) 2020 (the “**2020 Annual Report**”);
- (iii) the Subscription Agreement; and
- (iv) other information as set out in the Circular.

LETTER FROM OPUS CAPITAL

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

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

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

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

LETTER FROM OPUS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the businesses of wind farms operation through its subsidiary, namely Hebei Hongsong Wind Power Co., Ltd. (“**Hebei Hongsong**”) and continues to look for investment opportunities in the energy sector. The Group’s operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia Autonomous Region in PRC. The following table summarises the financial information of the Group for FY2019 and FY2020 as extracted from the 2020 Annual Report and for 1H2021 as extracted from the 2021 Interim Report:

Table 1: Highlights of the financial results of the Group

	Unaudited		Audited	
	1H2021	1H2020	FY2020	FY2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	199,303	176,149	346,401	361,683
— <i>Wind power generation revenue</i>	146,468	129,469	256,301	268,094
— <i>Wind power generation subsidies</i>	55,615	49,176	94,997	98,904
— <i>Business tax and surcharges</i>	(2,780)	(2,496)	(4,897)	(5,315)
Cost of sales	(117,775)	(110,419)	(233,788)	(245,217)
Profit from operations	72,449	62,578	60,857	85,140
Finance costs	(77,993)	(67,848)	(140,271)	(148,580)
Net loss for the period/year attributable to equity Shareholders	(30,862)	(28,513)	(213,010)	(103,879)

Source: 2021 Interim Report and 2020 Annual Report

LETTER FROM OPUS CAPITAL

The Group recorded revenue for FY2020 of approximately RMB346.4 million, representing a slight decrease of approximately RMB15.3 million or 4.2% as compared to approximately RMB361.7 million for FY2019. The decrease in revenue was mainly attributable to the revenue decline in the wind power generation. The revenue derived from wind power generation decreased by approximately 4.4% to approximately RMB256.3 million for FY2020. The decrease in revenue was mainly due to the drop in sale of electricity to industries that have reduced their operations as a result of the outbreak of COVID-19 pandemic (the “**Pandemic**”).

The Group recorded loss attributable to equity Shareholders of approximately RMB213.0 million, representing a significant increase in loss of approximately 105.1% from the loss of RMB103.9 million for FY2019. The deterioration in the loss position of the Group for FY2020 was mainly due to the significant share of loss of an associate of approximately RMB92.8 million, which induced the interests in associates on the consolidated statement of financial position becomes nil as at 31 December 2020. The significant share of loss was due to recognition of expected credit losses on loan receivables and other receivables by Shenzhen Qianhai Jiefeng Financing and Leasing Limited amounted to approximately RMB243.9 million for FY2020.

The Group recorded revenue of approximately RMB199.3 million for 1H2021, representing an increase of approximately 13.1% from approximately RMB176.1 million for 1H2020. The revenue increase was mainly due to the increase in volume of electricity generated attributable to the improved sales of electricity to the industries where businesses in general have gradually resumed their normal operations following the easing of restrictions imposed due to the Pandemic.

The finance cost of the Group was approximately RMB78.0 million for 1H2021, representing an increase of approximately RMB10.1 million or 15.0% as compared to approximately RMB67.8 million for 1H2020. The finance costs referred to interest expenses of the Group’s borrowings including bank loans and other loans obtained, corporate bonds, notes and convertible bonds issued by the Group. The increase in finance costs was mainly due to increase in interest expenses incurred for other loans obtained by Hebei Hongsong totalling approximately RMB1.2 million during 1H2021.

During 1H2021, the Group recorded loss attributable to equity Shareholders of approximately RMB30.9 million, representing a deterioration of approximately 8.2% from approximately RMB28.5 million for 1H2020. As stated in the 2021 Interim Report, the loss position for 1H2021 was primarily attributable to the combined effect of, among others, (i) the recognition of share-based payment expenses; and (ii) the increase in finance costs.

LETTER FROM OPUS CAPITAL

Table 2: Highlights of the financial position of the Group

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	1,358,922	1,428,190
Current assets	1,345,718	1,670,597
Cash and cash equivalents	443,099	858,837
Non-current liabilities	1,143,204	1,405,264
Current liabilities	936,875	1,060,300
Net asset value (the “NAV”) attributable to the equity		
Shareholders	388,440	402,006

Source: 2021 Interim Report

The non-current assets of the Group mainly comprised of property, plant and equipment, prepayments and other receivables. The total non-current assets maintained relatively stable at approximately RMB1.4 billion as at 31 December 2020 and 30 June 2021 respectively.

The current assets mainly comprised of trade receivables, prepayments and other receivables and cash and cash equivalents. The total current assets registered a decline of approximately 19.4% from approximately RMB1.7 billion as 31 December 2020 to approximately RMB1.3 billion as at 30 June 2021. Such decrease was mainly attributable to the decrease in cash and cash equivalents of approximately 48.4% from approximately RMB858.8 million as at 31 December 2020 to approximately RMB443.1 million as at 30 June 2021.

Based on the above, the total assets of the Group amounted to approximately RMB2.7 billion as at 30 June 2021, representing a decrease of approximately 12.7% from approximately RMB3.1 billion as at 31 December 2020.

The major components in the non-current liabilities of the Group were borrowings and deferred tax liabilities. The total non-current liabilities reduced by approximately 18.6%, from approximately RMB1.4 billion as at 31 December 2020 to approximately RMB1.1 billion as at 30 June 2021. Such decrease was due to the reduction in borrowings from approximately RMB1.4 billion as at 31 December 2020 to approximately RMB1.1 billion as at 30 June 2021, representing an improvement of approximately 18.7%.

LETTER FROM OPUS CAPITAL

The current liabilities mainly consisted of trade and other payables, borrowings and current taxation. The current liabilities decreased by approximately 11.6% from approximately RMB1.1 billion as at 31 December 2020 to approximately RMB936.9 million as at 30 June 2021. The decrease was mainly due to (i) the decrease of approximately 15.6% in trade and other payables from approximately RMB207.8 million as at 31 December 2020 to approximately RMB175.5 million as at 30 June 2021; and (ii) the reduction of approximately 9.2% in borrowings from approximately RMB835.6 million as at 31 December 2020 to approximately RMB759.1 million as at 30 June 2021.

Therefore, the total liabilities of the Group reduced by approximately RMB385.5 million or approximately 15.6% from approximately RMB2.5 billion as at 31 December 2020 to approximately RMB2.1 billion as at 30 June 2021.

Given the movements of the total assets and total liabilities of the Group highlighted above, the NAV attributable to the equity Shareholders decreased from approximately RMB402.0 million as at 31 December 2020 to RMB388.4 million as at 30 June 2021.

2. Information of the subscriber

As stated in the Letter from the Board, Filled Converge is a company incorporated in the BVI with limited liability. Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Its principal business is investment holding.

3. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details are set out in the Letter from the Board under the section headed “Subscription Agreement”.

Date:	28 January 2022
Parties	the Company (as issuer); and Filled Converge (as subscriber)

As at the Latest Practicable Date, Filled Converge is wholly-owned by Mr. Zhang, who is an executive Director and a substantial Shareholder. Filled Converge is an associate of Mr. Zhang and accordingly a connected person (as defined under the Listing Rules) of the Company.

LETTER FROM OPUS CAPITAL

Subject matter

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$356,375,000 which will be used for the settlement of the outstanding principal amount and interest payable by the Company to Filled Converge under the 2019 Convertible Bonds.

The outstanding sums payable to Filled Converge under the 2019 Convertible Bonds are expected to be fully settled through the issue of the Convertible Bond on the Completion Date, on a dollar-for-dollar basis. The outstanding principal amount and interest payable of the 2019 Convertible Bonds to Filled Converge were approximately HK\$294,183,000 and HK\$62,188,000 respectively. Further details regarding the 2019 Convertible Bonds are set out in the Letter from the Board under the section headed “Major terms of the 2019 Convertible Bonds”.

Conversion price

The Conversion Price of HK\$0.1800 per Conversion Share, which shall be subject to price adjustment, represents:

- (a) a premium of approximately 2.27% over the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 9.09% over the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (c) a premium of approximately 7.14% over the average closing price of HK\$0.168 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date.

The Conversion Price was arrived at after arm’s length negotiations among the Company and Filled Converge, taking into account of, among others, the recent market prices of the Shares and the prevailing market conditions.

For illustration purpose, based on the estimated net proceeds from the issue of the Convertible Bonds of approximately HK\$356,045,000 and a total of 1,979,861,111 Conversion Shares is expected to be issued at the initial Conversion Price of HK\$0.1800 upon exercise of the Conversion Rights in full, the net issue price per Conversion Share is approximately HK\$0.1798.

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Conversion Shares

As at the Latest Practicable Date, the Company had a total of 1,979,140,800 Shares in issue. The Convertible Bonds carry the Conversion Rights to convert into the Conversion Shares at the Conversion Price of HK\$0.1800 per Conversion Share (subject to price adjustment). For illustrative purpose, assuming the Conversion Rights are exercised in full at the Conversion Price upon Completion, 1,979,861,111 new Shares will be allotted and issued to Filled Converge (subject to the Conversion Restrictions), representing approximately 100.04% of the total number of issued Shares as at the Latest Practicable Date and approximately 50.01% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other changes to the total number of Shares from the Latest Practicable Date to the Completion Date. The details of the shareholdings of the Company before and after the Completion are set out in the section headed “8. Effects on the shareholding structure of the Company” below.

The Conversion Shares, when allotted and issued, will be credited as fully paid, free from any security interest and will rank pari passu in all respects with the Shares in issue on the conversion date.

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

Conditions precedent to the Subscription

Completion is conditional upon the following conditions being satisfied or, if applicable, waived:

- (a) Filled Converge having conducted due diligence exercise (technical, financial and legal) on the Company and satisfied with the results thereof;
- (b) the warranties of the Company being true, accurate, correct and complete in all material respects when made and remaining true, accurate, correct and complete and not misleading as at the Completion Date;
- (c) the Company having redeemed the 2019 Convertible Bonds payable to Filled Converge and settled all outstanding interest thereunder through offsetting the amount payable against the principal amount of the Convertible Bonds payable by Filled Converge;

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- (d) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor Filled Converge objects) listing of and permission to deal in the Conversion Shares falling to be issued and allotted upon the exercise of the Conversion Rights or otherwise pursuant to the Subscription Agreement;
- (e) the passing by the Independent Shareholders at the general meeting to be convened by the Company of the necessary resolution(s) to approve the Subscription Agreement and the instrument constituting Convertible Bonds, the allotment and issue of the Conversion Shares and the transactions contemplated thereunder;
- (f) the compliance by the Company of any other requirements under the Listing Rules or otherwise of the Stock Exchange which requires compliance in relation to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds, the execution of the instrument constituting the Convertible Bonds, the allotment and issue of the Conversion Shares);
- (g) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations thereunder by the Company (including but not limited to, the issue of the Convertible Bonds, the execution of the instruments constituting the Convertible Bonds, the issue of the certificates for the Convertible Bonds, the allotment and issue of the Conversion Shares); and
- (h) (where applicable and required) having obtained of all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations thereunder by Filled Converge (including but not limited to the Subscription).

The Company and Filled Converge may at their absolute discretion, waive compliance with any or all of the above condition precedent, save and except conditions (d) to (f), which shall not be waivable at all times and the Company shall use its best endeavours to procure the fulfilment of the conditions precedent. If the above conditions precedent have not been fulfilled (or, if applicable, waived) on or before 31 July 2022 (i.e. the Long Stop Date), or such other date as the parties may agree in writing, the Subscription Agreement will lapse and the parties will be released from all obligations thereunder, save for the liabilities for any antecedent breach thereof (if any).

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

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Completion

Completion shall take place on the date falling within seven (7) business days after the date on which all conditions precedent have been fulfilled or waived (or such other date as the parties may agree in writing).

On the Completion Date, the Convertible Bonds will be issued by the Company to Filled Converge (or its nominee) at full face value of HK\$356,375,000. Provided that HK\$356,371,148.38 was owed by the Company to Filled Converge under the 2019 Convertible Bonds, Filled Converge shall pay to the Company the outstanding principal amount of the Convertible Bonds which is not offset against the amount payable by the Company to Filled Converge under the 2019 Convertible Bonds (i.e. HK\$3,851.62) by cheques, cashier orders or other means acceptable to the Company on the Completion Date (if any).

4. Principal terms of the Convertible Bonds

We outlined below the principal terms and conditions of the Convertible Bonds. Further details are set out in the Letter from the Board under the section “Convertible Bonds”.

Issuer:	The Company
Principal amount:	HK\$356,375,000
Status:	The Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least pari passu with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.
Conversion price:	HK\$0.1800 per Conversion Share, subject to adjustment which include consolidation, sub-division and reclassification of the Shares, capitalisation issue, capital distributions, rights issues of Shares or options over Shares or other securities of the Company, issue of Shares or other securities of the Company in discount, modification of rights of conversion and other offer of securities. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued at a discount to their par value.

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Maturity date:	The date falling on the third anniversary of the issue date of the Convertible Bonds.
Interest:	10% per annum payable every six months from the issue date in arrears until maturity, conversion or early redemption.
Conversion period:	Subject to the terms and conditions of the Convertible Bonds and in particular, the Conversion Restrictions, Filled Converge may exercise its right to convert all or any part of the principal amount of the Convertible Bonds in integral multiple of HK\$1,000 into Conversion Shares at any time during the period from and including the second (2nd) business day from the issue date up to the close of business on the maturity date of the Convertible Bonds.
Conversion restrictions:	<p>Conversion shall be subject to the following conditions:</p> <ul style="list-style-type: none">(a) Filled Converge shall comply with the obligation under Rule 26 of the Takeovers Code upon any exercise of the Conversion Rights; and(b) any exercise of the Conversion Rights shall not render the Company no longer be able to maintain the minimum public float of the Shares as required under the Listing Rules.
Listing:	No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

The Convertible Bonds shall not confer on Filled Converge any right to attend or vote at any Shareholders' meeting of the Company.

5. Reasons for and benefits of the Subscription

As stated in the Letter from the Board, the 2019 Convertible Bonds matured on 25 March 2021 upon which the Company would be required to deploy its cash reserve to redeem the 2019 Convertible Bonds. The Subscription (i) allows the Company to postpone substantial cash outflow and release the liquidity and working capital pressure of the Company; (ii) enables the net proceeds from the Subscription, which will be approximately HK\$356,045,000, are expected to fully settle the total amount owed to Filled Converge under the 2019 Convertible Bonds; (iii) is an appropriate financing option for the Group as compared with other financing alternatives; and (iv) demonstrates the confidence of the subscriber, who is an executive Director and a substantial Shareholder, in the future development of the Company.

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The total principal amount of the 2019 Convertible Bonds was HK\$313,795,000, of which Filled Converge and Well Foundation subscribed for HK\$294,183,000 and HK\$19,612,000, respectively. As at the date of the Subscription Agreement, the total outstanding amount of the 2019 Convertible Bonds owed to the two (2) bondholders, comprising the principal amount and interest payable, was HK\$383,026,471.31, of which HK\$356,371,148.38 owed to Filled Converge and HK\$26,655,322.93 owed to Well Foundation. The total outstanding amount of the 2019 Convertible Bonds owed to Filled Converge (i.e. HK\$356,371,148.38) is expected to be fully settled through the issue of the Convertible Bond on a dollar-for-dollar basis.

As at the date of the Subscription Agreement, the Company was unable to reach any agreements with Well Foundation, being one of the bondholders of the 2019 Convertible Bonds, in respect of the settlement arrangement following the expiry of the 2019 Convertible Bonds. We understand from the Management that the Management has been under negotiation and discussion with Well Foundation since January 2021. However, as Well Foundation has shown no sign to renew or extend the 2019 Convertible Bonds, amending the terms and extending the maturity of the 2019 Convertible Bonds are not applicable. Given the latest negotiations between the Management and Well Foundation, the Management advised that the Company and Well Foundation have mutually agreed to discuss the settlement plans by the end of 2022 in relation to the outstanding 2019 Convertible Bonds payable to Well Foundation.

As stated in the inside information announcement of the Company dated 30 January 2022, the 2019 Convertible Bonds have not been further extended and had therefore matured on 25 March 2021. As advised by the Management, the Company has attempted to amend and extend the terms of the 2019 Convertible Bonds with its bondholders by entering into the supplemental agreements, details of which are stated in the announcement of the Company dated 29 January 2021. As disclosed in the announcements of the Company dated 24 March 2021 and 29 June 2021, since the conditions precedent set out in the supplemental agreements could not be fulfilled or waived on or before the extended long stop date (i.e. 24 April 2021), the supplemental agreements had lapsed and were no longer valid. Therefore, the bondholders of the 2019 Convertible Bonds can demand to redeem all or part of the 2019 Convertible Bonds at any time by exercising their rights under the 2019 Convertible Bonds. As at the Latest Practicable Date, the Company has not received any default notice or notice of demand for payment from the bondholders.

As stated in the 2021 Interim Report, the cash and cash equivalents was approximately RMB443.1 million as at 30 June 2021. We understand from the Management that the cash and cash equivalents has been mainly earmarked: (i) to finance the Group's operation and working capital; (ii) for payment for an acquisition; and (iii) to finance the Group's business plan. As stated in the 2021 Interim Report and the 2020 Annual Report, the Company continues to look for investment opportunities in the energy sector from time to time. Accordingly, on 10 December 2021, the Company announced an acquisition of not more than 4% equity interests in CH-Auto Technology Corporation Ltd., a company principally engaged in vehicle design and development services, vehicle production and sales, vehicle research and development. Pursuant to the subscription agreement, the Company shall contribute not less than RMB20 million and up to RMB70 million in cash, as the consideration for the acquisition, which shall entitle the Company to not more than

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4% of the total issued shares. The actual number of shares and price per share shall be determined based on the pre-fundraising valuation of the company and the total funds raised in its current fundraising exercise. We were advised by the Management that a partial payment of RMB20 million has been paid and the Company is still evaluating whether additional investment amount should be made. We therefore consider the existing cash level of the Group will not be sufficient to settle the outstanding principal amount and interest payable of the 2019 Convertible Bonds. The Management considers that the Subscription provides a viable means for the Company to delay substantial cash outflow, provide liquidity and ease working capital pressure while offering the opportunity for the Company to settle the 2019 Convertible Bonds. Furthermore the Subscription would not have an immediate dilution effect on the shareholdings of the existing Shareholders and the exercise of conversion rights attached to the Convertible Bonds would strengthen the Company's financial position.

As discussed with the Management, the Company has considered various financing alternatives for the Group to raise funds apart from the Subscription, including but not limited to debt financing and pure equity financing, such as rights issue, open offer or placing of new Shares to settle the 2019 Convertible Bonds.

In terms of obtaining bank borrowings from commercial banks, the Management is of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence exercise, banks' internal risk assessment and negotiations with commercial banks that usually require pledge of assets by the borrower. With reference to the 2021 Interim Report, we noted that as at 30 June 2021, the Group has pledged certain property, plant and equipment and leasehold land, including right-of-use assets, with a total carrying value of approximately RMB975.0 million as collateral for the borrowings obtained by the Group. Furthermore, shares in the Company's subsidiaries were also pledged for borrowings obtained by the Group as at 30 June 2021. As at 30 June 2021, approximately 82.7% of the total value of property, plant and equipment and the right-of-use assets amounting to approximately RMB1,178.8 million, have been secured against borrowings. Given that the Company would not be able to provide material assets pledge for potential loans and considering the less-than-satisfactory financial performance of the Group with a loss-making position for consecutive years, it is anticipated the commercial banks will require a higher interest rate for the loans. In addition, we have obtained a list of indebtedness as at 30 June 2021 (the "**Indebtedness**") from the Company and noted that (i) the interest rates of the existing bank loans, notes and other borrowings of the Group ranged from 7.0% to 10.0% per annum; and (ii) the interest rate of the short-term notes of the Company was 16.0% per annum. The Management has considered that (i) further debt financing may not be available given the Group's capital deficiency position; and (ii) the cost of debt financing for any new bank borrowing may significantly be higher as compared to its existing cost of debt. Therefore, the Management is of the view that the debt financing from commercial banks will not be easily accessible and would bring about undesirable effects to the financial position of the Company, hence such funding method is not in the interests of the Company and its Shareholders as a whole.

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The Management has also considered that if the Company were to raise the necessary funds by way of placing of new Shares, right issue or open offer, the subscription price would have to be set at a deep discount to the prevailing market price of the Shares so as to attract subscription by potential investors or existing Shareholders. In addition, rights issue or open offer of new Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clause in favour of the underwriter and may incur a higher transaction cost (i.e. underwriting and other related fees). Furthermore, placing, rights issue or open offer of new Shares will incur immediate dilution effect on the shareholding of non-participating Shareholders while the dilution effect on the Convertible Bonds will only occur when the bondholder exercises the conversion rights attaching to the Convertible Bonds. In addition, the Company will be released from the repayment obligation at maturity if the Convertible Bonds are fully converted into new Shares prior to the maturity date. Taking into account of the above factors, the Management is of the view that the issue of the Convertible Bonds is preferable than issue of pure equity or straight bond.

According to the Letter from the Board, approximately HK\$2.3 million raised from the warrant placing completed on 5 August 2021 had been utilised for the payment of salaries and emoluments. The unused portion of the net proceeds totalling HK\$3.3 million are expected to be utilised during 2022 for the payment of salaries and emoluments, the details of which are set out in the section headed "Equity fund raising activities in the past twelve months" in the Letter from the Board. Save as disclosed above, the Directors confirm the Company had not conducted any fund raising activities involving the issue of its equity securities in the past 12 months immediately preceding the Latest Practicable Date.

In light of the above and having considered in particular, (i) the bondholders of the 2019 Convertible Bonds have the right to demand repayment of the 2019 Convertible Bonds at any time; (ii) the Subscription can postpone substantial cash outflow and release the liquidity and working capital pressure of the Company; (iii) the Convertible Bonds will fully settle the total amount owed to Filled Converge under the 2019 Convertible Bonds; (iv) the issue of the Convertible Bonds is an appropriate financing option for the Group as compared with other financing alternatives; and (v) the Subscription demonstrates the confidence of the subscriber, who is an executive Director and a substantial Shareholder, in the future development of the Company, we concur with the view of the Directors that the issue of the Convertible Bonds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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6. Evaluation of the terms of the Convertible Bonds

The Conversion Price of HK\$0.1800 per Conversion Share, which shall be subject to price adjustment, represents:

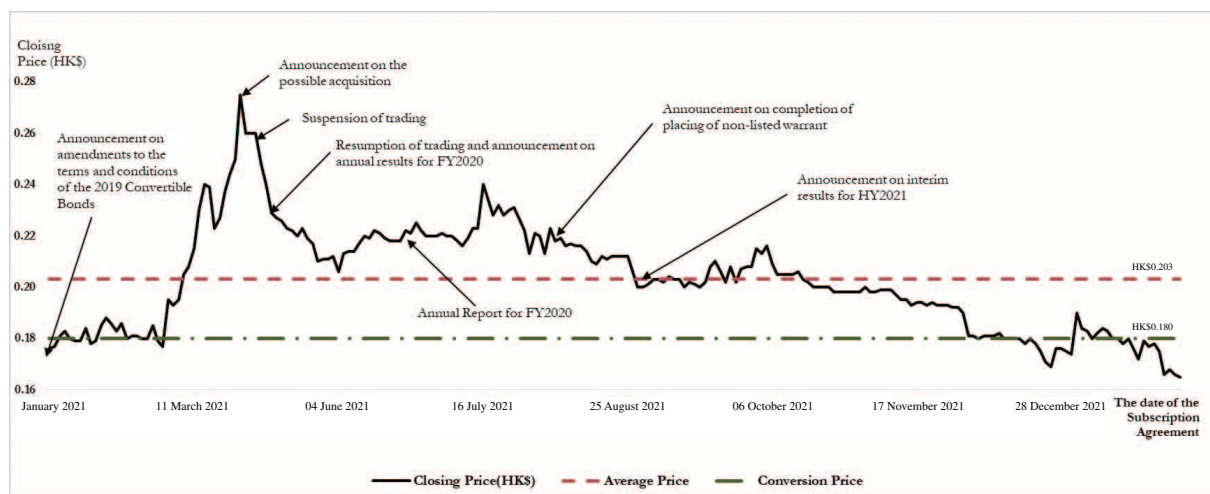
- (i) a premium of approximately 9.09% over the closing price of the Shares of HK\$0.165 per Share as quoted on the Stock Exchange on 28 January 2022, being the date of the Subscription Agreement;
- (ii) a premium of approximately 7.14% over the average closing price of HK\$0.168 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date;
- (iii) a premium of approximately 4.52% over the average closing price of HK\$0.172 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Date;
- (iv) a premium of approximately 1.69% over the average closing price of HK\$0.177 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Date;
- (v) a discount of approximately 24.81% over the unaudited consolidated NAV attributable to the equity Shareholders per Share of approximately HK\$0.24 as at 30 June 2021, based on the exchange rate of HK\$1: RMB0.82; and
- (vi) a premium of approximately 2.27% over the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Historical Share price performance

In order to assess the fairness and reasonableness of setting the Conversion Price at HK\$0.1800 per Conversion Share, we have reviewed the daily closing prices of the Shares from 28 January 2021, being one year prior to the date of the Subscription Agreement, to 28 January 2022 (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the announcement of the Company dated 28 January 2022 regarding the Subscription and such comparison is relevant for the assessment of the fairness and reasonableness of the Conversion Price. The following diagram sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

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Chart 1: Movement of the Share closing price during the Review Period



Source: the Stock Exchange

During the Review Period, the closing prices of the Shares demonstrated a general decreasing trend since the peak on 24 March 2021, ranging from the highest of HK\$0.275 per Share to the lowest of HK\$0.165 per Share, with an average of approximately HK\$0.203 per Share. The Conversion Price is within the range of the closing price during the Review Period and is higher than the lowest Share price level by approximately 9.09%. There are some notable events below during the Review Period:

- (i) the Share closing price was at its peak of HK\$0.275 on 24 March 2021 after the publication of the announcement in relation to the possible acquisition of approximately 31% equity interest of Wuhan Grove Hydrogen Automotive Co., Ltd.* (武漢格羅夫氫能汽車有限公司) (“**Wuhan Grove Hydrogen Automotive**”);
- (ii) the Share closing price declined to HK\$0.24 on 31 March 2021 prior to the delay in publication of the annual results announcement for FY2020 on 1 April 2021;
- (iii) the Share closing price further descended to a low of HK\$0.229 after the resumption of trading and the publication of the annual results announcement for FY2020 on 14 May 2021;
- (iv) the Share closing price rebounded to a high of HK\$0.24 on 16 July 2021, although we did not notice any notable events and the Management is not aware of any particular reason in the hike of Share price;

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- (v) the Shares closing price commenced its decline by approximately 56.7% from HK\$0.60 on 11 June 2019 to HK\$0.26 on 22 July 2020, although there are no notable events or no particular reasons known by the Management; and
- (vi) the Shares closing price declined sharply by approximately 13.16% from HK\$0.19 on 31 December 2021 to HK\$0.165 on 28 January 2022, being the publication date of the announcement in relation to the Subscription Agreement, which is also the lowest price recorded during the Review Period.

As advised by the Management, other than the events mentioned above, the Management were not aware of any events that led to the general decreasing trend in the Share price for the Review Period. In light of the above analysis, we are of the view that the Conversion Price of HK\$0.18 per Conversion Share represents: (i) a premium over the lowest closing Share price under the Review Period; (ii) premiums over the closing Share price as quoted on the Stock Exchange on the date of the Subscription Agreement, last five, ten and thirty consecutive trading days immediately prior to and including the date of the Subscription Agreement, respectively, we concur with the Management that the Conversion Price is fair and reasonable as it reflects the current market price.

Furthermore, given the declining trend of the Shares price of the Company and the downward pressure due to the thin trading liquidity, Mr. Zhang, who is an executive Director and a substantial Shareholder, agreed with the Conversion Price, which in our view demonstrates his confidence as a substantial Shareholder towards the Company and his support for the Company's business development with an aim to boost the Share price to a level above the Conversion Price. We therefore consider that the Conversion Price to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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Trading liquidity of the Shares

The following table sets out the total trading volume, the average daily trading volume of the Shares and the percentage of the average daily trading volume to the total number of issued Shares for each month during the Review Period:

Table 3: Trading liquidity analysis

Month	Total trading volume (Shares)	Number of trading days	Average daily trading volume (Shares) (Note 1)	Percentage of the average daily trading volume over total number of issued Shares (Note 2)
2021				
January	8,396,000	1	8,396,000	0.424%
February	33,664,000	18	1,870,222	0.094%
March	131,008,000	23	5,696,000	0.288%
April (Note 3)	—	—	N/A	
May	31,680,000	10	3,168,000	0.160%
June	12,366,000	21	588,857	0.030%
July	3,792,000	21	180,571	0.009%
August	13,248,000	22	602,182	0.030%
September	6,972,000	21	332,000	0.017%
October	11,256,000	18	625,333	0.032%
November	8,148,000	22	370,364	0.019%
December	21,316,000	22	968,909	0.049%
2022				
January (Up to the date of the Subscription Agreement)	22,356,000	20	1,117,800	0.056%

Source: the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculated based on the total number of Shares in issue at the end of each month/period.
3. Trading in the Shares was suspended on 1 April 2021 and resumed on 17 May 2021. Thus, the information regarding the trading liquidity in April 2021 is not available.

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As illustrated in the above table, the average daily trading volume of the Shares was low during the Review Period, with a range of approximately 180,571 Shares to approximately 8,396,000 Shares, representing approximately 0.009% to 0.424% of the total number of Shares in issue as at the end of relevant month/period. In light of the relatively thin trading liquidity and low trading volume, if the Company were to raise the necessary funds by way of placing, rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the prevailing market price of the Shares so as to attract subscription by potential investors or existing Shareholders.

We note that: (i) the exceptionally higher average daily trading volume of the Shares of 8,369,000 Shares in January 2021 was due to one single trading day only during the Review Period, which is not reflective of the average daily trading volume of the Shares in January 2021; and (ii) the second higher average daily trading volume of the Shares of 5,696,000 Shares in March 2021 was mainly due to the publication of the announcement in relation to the possible acquisition of approximately 31% equity interest of Wuhan Grove Hydrogen Automotive.

Comparable transaction analysis

To assess the fairness and reasonable of the key terms of the Convertible Bands, including: (a) interest rate; (b) term to maturity; (c) conversion price; and (d) early redemption at the option of the issuer, we have conducted a research, using our best endeavours, of recent proposed issue of convertible bonds/notes to either connected persons or independent third parties in our research, since the terms of such issuance are arrived at based on prevailing market conditions regardless of whether the subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a good reference in our evaluation of the terms of the Convertible Bonds. Based on our best endeavour and as far as we are aware, we have identified a total of 14 comparable issues of convertible bonds/notes (the “**Comparable Issues**”), which was announced from 28 October 2021, being approximately three months prior to the date of the Subscription Agreement, and up to the date of the Subscription Agreement (the “**Comparison Period**”), to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds/notes under similar market condition. We consider that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable Issues as a whole provides a fair and representative sample.

Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies in relation to the Comparable Issues may not be similar to those of the Company, and we have not conducted any in-depth investigation into respective businesses and operations of such companies. As the Comparable Issues can provide a general reference of the key terms for similar transactions in Hong Kong under the current market

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conditions, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Convertible Bonds.

Table 4: Analysis of the Comparable Issues

Date of announcement	Name of company	Issue to connected person	Term to maturity (year)	Interest rate (%)	Premium/(discount) of conversion price over/to the average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)			Early redemption (% of the outstanding principal, if any)
					the closing price as at the last trading day prior to/on the date of announcement (%)	the closing price as at the last trading day prior to the last trading day prior to/on the date of announcement (%)	the closing price as at the last trading day prior to the last trading day prior to/on the date of announcement (%)	
21-Jan-22	Country Garden Holdings Company Limited (2007)	No	4.5	4.95	16.38	27.76	100.00	
18-Jan-22	Rare Earth Magnesium Technology Group Holdings Limited (601)	No	5	5.00	nil	1.69	100.00	
13-Jan-22	Sanai Health Industry Group Company Limited (1889)	No	1	3.00	4.20	4.20	100.00	
6-Jan-22	China MeiDong Auto Holdings Limited (1268)	No	5	4.25	18.80	17.40	N/A	
14-Dec-21	Gemilang International Limited (6163)	No	2	4.25	35.14	41.64	N/A	
13-Dec-21	CEFC Hong Kong Financial Investment Company Limited (1520)	No	3	2.00	7.63	0.00	N/A	
13-Dec-21	Asiaray Media Group Limited (1993)	No	N/A (Note 1)	3.50	7.70	7.70	N/A	
12-Dec-21	China VAST Industrial Urban Development Company Limited (6166)	No	1	8.00	74.07	69.88	N/A	

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Date of announcement	Name of company	Issue to connected person	Term to maturity (year)	Interest rate (%)	Premium/(discount) of conversion price over/to the average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)			Early redemption (% of the outstanding principal, if any)
					the closing price as at the last trading day prior to/on the date of announcement (%)	the closing price as at the last trading day prior to the last trading day prior to/on the date of announcement (%)	the closing price as at the last trading day prior to the last trading day prior to/on the date of announcement (%)	
9-Dec-21	Hopson Development Holdings Limited (754)	No	1	8.00	4.56	7.92		100.00
9-Dec-21	Kirin Group Holdings Limited (8109)	No	1	2.00	10.00	10.11		100.00
7-Dec-21	Bingo Group Holdings Limited (8220)	Yes	4	nil	14.58	(22.32)		N/A
3-Dec-21	China Public Procurement Limited (1094)	No	7	5.00	1.96	(6.13)		100.00
29-Nov-21	Pan Asia Data Holdings Inc. (1561)	No	1.5	6.00	22.45	21.21		120.00
17-Nov-21	CIMC Enric Holdings Limited (3899)	No	5	nil	28.00	24.00		100.00
Maximum			7	8.00	74.07	69.88		120.00
Minimum			1	nil	nil	(22.32)		100.00
Average			3	3.92	17.62	13.64		102.90
The Company		Yes	3	10.00	9.09	7.14	100% plus an amount equal to a gross yield to maturity of 15% per annum	

Source: the Stock Exchange

Note:

1. The issue of perpetual bond has no maturity date.

LETTER FROM OPUS CAPITAL

(a) Interest rate

The interest rate of the Convertible Bonds is 10%. As shown in the table above, we note that the interest rates of the Comparable Issues ranged from nil to 8% per annum with an average interest rate of approximately 3.92%. Although the interest rate of the Convertible Bonds is above the range of interest rates among the Comparable Issues, we have obtained the Indebtedness from the Company and noted that the interest rate of the Convertible Bonds falls within the range of interest rates of the existing debts of the Company, given that: (i) the interest rates of the existing bank loans, notes and other borrowings of the Company ranged from 7.0% to 10.0% per annum; and (ii) the interest rate of the short term notes of the Company was 16.0% per annum.

Based on the above, although the interest rate of the Convertible Bonds is slightly above the interest rate range of the Comparable Issues, nevertheless having considered that, (i) the interest rate of the Convertible Bonds is within the range of the interest rates charged on the existing debt financing, notes and other borrowings of the Company; (ii) as discussed above under the section headed “5. Reasons for and benefits of the Subscription”, the Company is not able to provide material assets pledge for potential loan and with the less-than-satisfactory financial performance of the Group with a loss-making position for consecutive years, the Company expects that a higher interest rate than 10% per annum may be required by the commercial banks. In addition, we noted from the Indebtedness that, pursuant to the loans secured by the Company without any pledged assets, the interest rates ranged from approximately 7.0% to 16.0%; and (iii) as set out under the section headed “5. Reasons for and benefits of the Subscription”, the Company has considered various financing alternatives for the Group to raise funds apart from the Subscription but the issue of the Convertible Bonds is considered to be an appropriate financing option for the Group as compared with other financing alternatives, we are of the view that the interest rate of the Convertible Bonds is justifiable.

(b) Term to maturity

The terms to maturity of the Comparable Issues ranged from one (1) year to seven (7) years, with an average term of approximately three (3) years. We note that the terms to maturity of the Convertible Bonds, which is three (3) years, falls within such range and is at the average term. The convertible bond issued by Asiaray Media Group Limited on 13 December 2021 is a perpetual bond and has no maturity date. We consider this as an outlier because the majority of the convertible bonds/notes issued contain a term to maturity. Therefore, we consider the terms to maturity of the Convertible Bonds is generally in line with the recent market practice.

LETTER FROM OPUS CAPITAL

(c) Conversion price

As set out in the table above, we note that the conversion price to: (i) the closing price on the last trading day prior to the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 74.07% to nil, with an average premium of 17.62%; and (ii) the average closing price of the last five (5) trading days prior to the announcements in relation to the respective Comparable Issues ranged from a premium of 69.88% to a discount of approximately 22.32%, with an average premium of approximately 13.64%. As the Conversion Price is (i) at a premium of 9.09% to the closing price per Share on the date of the Subscription Agreement; and (ii) at a premium of 7.14% over the average closing price per Share for the last five (5) consecutive trading days immediately prior to and including the date of the Subscription Agreement, the premium as represented by the Conversion Price is within the range and below the average of the premium of the conversion prices of the Comparable Issues.

With reference to our analysis above regarding the Comparable Issues, we concur with the view of the Management that the Conversion Price is fair and reasonable.

(d) Early redemption at the option of the issuer

In relation to the early redemption condition, as set out in the table above, 8 out of 14 Comparable Issues contain the term of the early redemption at the option of the issuer and the redemption percentage of the principal amount ranged from 100% to 120%, with an average of 102.9%. As the Company may at any time from the issue date but not less than fourteen business days prior to the maturity date, redeem any amount of the Convertible Bonds plus an amount equal to a gross yield to maturity of 15% per annum less the interest paid thereon on or prior to the date of the redemption notice, which causes the redemption percentage of the principal amount to be less than 120%, this is within the range of the redemption percentage of the Comparable Issues. Therefore, we consider the early redemption percentage for the principal amount is acceptable.

Having considered the above analysis, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM OPUS CAPITAL

7. Financial effects of the Subscription for the Convertible Bonds

Earnings

The Convertible Bonds are interest bearing bonds and will mature on the date falling on the third anniversary of the issue date of the Convertible Bonds. As such, it is expected that the future earnings of the Company will be reduced by the amount of interest expenses on the Convertible Bonds upon their maturity, and/or any early redemption. In addition, the expenses relating to the professional advisory fees and ancillary costs to be incurred by the Company in relation to the Subscription will also decrease the earnings of the Group in this regard.

NAV

According to the 2021 Interim Report, the NAV attributable to the equity Shareholders was approximately RMB388.4 million as at 30 June 2021. As the proceeds from the issue of the Convertible Bonds of approximately HK\$356,375,000 will be fully applied for redemption of the 2019 Convertible Bonds due to Filled Converge on a dollar-for-dollar basis, the outstanding principal amount and interest payable of which was approximately HK\$294,183,000 and HK\$62,188,000 respectively. The Subscription for the Convertible Bonds therefore would not lead to any increase in cash and cash equivalents of the Company. As advised by the Management and based on the accounting policies of the Group, the non-current liabilities and the conversion option derivative of the Company will be increased respectively as a result of the recognition of liability and derivative components of the Convertible Bonds. The exact amount of the respective fair value of the liability and derivative components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by a professional valuer at the time of completion of the Subscription for the Convertible Bonds.

Gearing ratio

According to the 2021 Interim Report, the gearing ratio of the Group, calculated by dividing the Group's total liabilities with its total assets, was approximately 0.77 times as at 30 June 2021. In any event the bondholder or the transferee of the Convertible Bonds exercises the conversion rights attaching to the Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the Convertible Bonds by the bondholder into Conversion Shares would enlarge the capital base of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not redeemed within the maturity period, the gearing position of the Group would be slightly increased due to the interest rate of 10% per annum of the Convertible Bonds is higher than the 2019 Convertible Bonds (i.e. 8% per annum), which would potentially incur higher interest expense and increase the

LETTER FROM OPUS CAPITAL

liability component of the Convertible Bonds. Since the net proceeds from the issue of the Convertible Bonds of approximately HK\$356,045,000 will be set off against the amounts due by the Company to Filled Converge under the 2019 Convertible Bonds, there will be no additional cash or fund injected into or outflow from the Company upon Completion. The Management expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the Convertible Bonds, subject to the new valuation to be prepared by an independent valuer.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Subscription.

8. Effect on the shareholding structure of the Company

As at the Latest Practicable Date, the Company had a total of 1,979,140,800 Shares in issue. For illustrative purpose, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to the Completion, the shareholding structures of the Company: (i) as at the Latest Practicable Date; (ii) upon Completion and assuming the shareholdings of Diamond Era and Filled Converge at 29.9% in aggregate; and (iii) upon Completion and assuming full exercise of the Conversion Rights attaching to the Convertible Bonds when the Conversion Restrictions apply are illustrated as follows:

Shareholders	As at the Latest Practicable Date		Upon Completion and assuming the shareholdings of Diamond Era and Filled Converge at 29.9% in aggregate		Upon Completion and assuming full exercise of the Conversion Rights attaching to the Convertible Bonds when the Conversion Restrictions apply (Note 3)	
	Number of Shares	% (approximately)	Number of Shares	% (approximately)	Number of Shares	% (approximately)
Shareholders						
Diamond Era (Note 1)	423,490,325	21.40	423,490,325	19.08	423,490,325	10.70
Filled Converge (Notes 1, 2 and 3)	—	—	240,046,754	10.82	1,979,861,111	50.01
Total interests of						
Mr. Zhang	423,490,325	21.40	663,537,079	29.90	2,403,351,436	60.71
Public Shareholders	1,555,650,475	78.60	1,555,650,475	70.10	1,555,650,475	39.29
Total	1,979,140,800	100	2,219,187,554	100	3,959,001,911	100

LETTER FROM OPUS CAPITAL

Notes:

1. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era and Filled Converge. Mr. Zhang is deemed, or taken to be, interested in the Shares in which Diamond Era and Filled Converge are interested for the purpose of the SFO. Mr. Zhang is an executive Director and a substantial Shareholder.
2. As at the Latest Practicable Date, Filled Converge holds the 2019 Convertible Bonds issued by the Company on 25 March 2019 in the principal amount of HK\$294,183,000. Assuming Filled Converge's conversion right under the 2019 Convertible Bonds were exercised in full, the total of 619,332,631 new Shares will be issued to Filled Converge, representing approximately 23.46% of total issued Shares issued by the Company as at the Latest Practicable Date. The 2019 Convertible Bonds payable to Filled Converge are expected to be fully redeemed upon Completion.
3. The shareholdings of the Company set out in the above table are for illustration purpose only. As the Conversion Restrictions stipulate that any exercise of the Conversion Rights shall (i) be complied with the obligation under Rules 26 of the Takeovers Code by Filled Converge; or (ii) not render the Company no longer be able to maintain the minimum 25% public float of the Shares as required under the Listing Rules.
4. As at the Latest Practicable Date, the total number of 179,900,000 share options of the Company have been granted to various grantees with the exercise price per Share of HK\$0.18. For further details, please refer to the announcement of the Company dated 29 January 2021. No share option has been exercised as at the Latest Practicable Date.
5. As at the Latest Practicable Date, the Company has a total of 395,000,000 outstanding warrants with an amended warrant exercise price of HK\$0.22 per warrant share. For further details, please refer to the announcement of the Company dated 5 August 2021. No outstanding warrants have been exercised as at the Latest Practicable Date.

As shown in the above table, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to the Completion, the shareholding in the Company held by the existing public Shareholders will be diluted from approximately 78.60% as at the Latest Practicable Date to approximately 39.29% upon Completion and assuming full exercise of the Conversion Rights attaching to the Convertible Bonds when the Conversion Restrictions apply, representing a dilution of approximately 39.31%.

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We are aware of the potential higher dilution effect as a result of the conversion of the Convertible Bonds based on the Conversion Price. Nonetheless, having considered that (i) the Conversion Price is set at a premium over the closing price of the Shares on the Last Trading Date, therefore the Convertible Bonds are currently out-of-money and the possibility for Filled Converge to convert the Convertible Bonds seems remote; (ii) the Convertible Bonds is the preferred option over other equity and debt financing alternatives; (iii) the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable as far as the Independent Shareholders are concerned; (iv) the Convertible Bonds, when converted into Conversion Shares, will be recognised as equity of the Company and will hence enlarge the capital base and potential improve the net asset position of the Company; and (v) the reasons for and benefits of the Subscription as mentioned above, we consider that such potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the Subscription is acceptable. According to the terms of the Convertible Bonds, there are conversion restrictions in place which is subject to (i) Filled Converge shall comply with the obligation under Rule 26 of the Takeovers Code upon any exercise of the Conversion Rights; and (ii) any exercise of the Conversion Rights shall not render the Company no longer be able to maintain the minimum public float of the Shares as required under the Listing Rules. Therefore, the exercise of the Convertible Bonds will subject to the above restrictions and the minimum public shareholding requirement under Rule 8.08 of Listing Rules shall not be affected. We concur with the Management that the issuance of Convertible Bonds is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons described above, in particular that:

- (i) the issue of the Convertible Bonds is an appropriate method currently available to the Group due to the reasons set forth under the section headed “5. Reasons for and benefits of the Subscription” above;
- (ii) the basis of the Conversion Price is commercially justified. Having considered the premium of the Conversion Price over the closing price of the Share on the Last Trading Date, which is higher than the average of the premium and falls within the range of conversion premium/discount of the Comparable Issues as discussed under the section headed “6. Evaluation of the terms of the Convertible Bonds” above, we concur with the view of the Management that the Conversion Price is fair and reasonable;
- (iii) as discussed in the section headed “6. Evaluation of the terms of the Convertible Bonds” above, the terms of the Convertible Bonds are generally in line with the market; and

LETTER FROM OPUS CAPITAL

- (iv) the potential dilution effect to the shareholding interest of the public Shareholders arising from the issue of the Convertible Bonds is acceptable,

we are of the opinion that although the entering into of the Subscription Agreement was not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

Opus Capital Limited

Koh Kwai Yim

Kelly Hui

Managing Director

Director

Ms. Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 18 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Ms. Kelly Hui is the Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Hui has over 10 years of corporate finance experience and has participated in and completed various initial public offering, financial advisory and independent financial advisory transactions.

* For identification purposes only.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of Director	Nature/Capacity	Number of shares/underlying shares		Share Options (Note 1)	Total	Approximate percentage of shareholdings
		Corporate interests	Convertible bonds			
Mr. Zhang	Beneficial owner/Interest of controlled corporation	423,490,325 (Note 2)	619,332,631 (Note 3)	19,700,000	1,062,954,956	53.69%
Mr. Ning Zhongzhi	Beneficial owner	—	—	19,700,000	19,700,000	1.00%
Mr. Li Tian Hai	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Peng Ziwei	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Qu Weidong	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Ms. Hu Xiaolin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Mr. Jiang Senlin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%

Notes:

1. These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company, details of which are set out in the announcement of the Company dated 29 January 2021.
2. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era. As at the Latest Practicable Date, Diamond Era is interested in 423,490,325 Shares. Mr. Zhang is deemed, or taken to be, interested in the Shares in which Diamond Era is interested for the purpose of the SFO.
3. Mr. Zhang is the beneficial owner of the entire issued shares of Filled Converge. As at the Latest Practicable Date, Filled Converge holds the 2019 Convertible Bonds in the principal amount of HK\$294,183,000. Assuming Filled Converge's conversion right of the 2019 Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge. Mr. Zhang is deemed, or taken to be, interested in the Shares in which Filled Converge is interested for the purpose of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Names of Director	Name of associated corporation	Nature/capacity	Number of Shares held/interested	Approximate percentage of shareholdings
Mr. Zhang	Diamond Era	Beneficial owner	9	100%

As at the Latest Practicable Date, none of the Directors, chief executive nor their respective associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

(b) Substantial Shareholder and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had 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, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group were as follows:

Name of Shareholder	Number of Shares held/interested	Nature/capacity	Approximate percentage of shareholdings
Diamond Era	423,490,325 (L) (Notes 1 and 2)	Beneficial owner	21.40%
Filled Converge	619,332,631 (L) (Note 3)	Beneficial owner	31.30%

Notes:

1. As at the Latest Practicable Date, Diamond Era was interested in 423,490,325 Shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director and a Substantial Shareholder.
2. "L" stands for a long position in the Shares.
3. Mr. Zhang is the beneficial owner of the entire issued shares of Filled Converge. As at the Latest Practicable Date, Filled Converge holds the 2019 Convertible Bonds in the principal amount of HK\$294,183,000. Assuming Filled Converge's conversion right of the 2019 Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge. Mr. Zhang is deemed, or taken to be, interested in the Shares in which Filled Converge is interested for the purpose of the SFO.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken 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, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a 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.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which has, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company are made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and has given its letter contained in this circular:

Name	Qualification
Opus Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Opus Capital Limited had given and had not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name, in the form and context in which it is included.

As at the Latest Practicable Date, Opus Capital Limited did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Group.

As at the Latest Practicable Date, Opus Capital Limited did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. GENERAL

The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.c-ruifeng.com>) for the period of 14 days commencing from the date of this circular:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the Subscription Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;
- (d) the letter from Opus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 54 of this circular;
- (e) the written letter of consent of Opus Capital Limited as referred to in the section headed “7. Expert and Consent” of this Appendix; and
- (f) this circular.

NOTICE OF EGM



CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED

中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Ruifeng Renewable Energy Holdings Limited (the “**Company**”) will be held at No. 173, Wu Lie Road, Shuang Qiao District, Chengde City, Hebei Province, the People’s Republic of China on Tuesday, 19 April 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the subscription agreement dated 28 January 2022 entered into between the Company and Filled Converge Limited (the “**Subscription Agreement**”) in relation to the subscription for the 10% unsecured convertible bonds to be issued by the Company in the principal amount of HK\$356,375,000 (the “**Convertible Bonds**”) (a copy of the Subscription Agreement has been marked “A” and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the issue by the Company of the Convertible Bonds in the aggregate principal amount of HK\$356,375,000 at an initial conversion price of HK\$0.1800 per share (subject to adjustments) pursuant to the Subscription Agreement together with the issuance of the bond instrument and the bond certificates to Filled Converge Limited be and are hereby approved;
- (c) the directors of the Company be and are hereby granted a specific mandate to allot and issue the share(s) to be issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds (the “**Conversion Shares**”); and

NOTICE OF EGM

- (d) any one of the directors of the Company be and is hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement, the issue of the Convertible Bonds to Filled Converge Limited, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds and any of the transactions contemplated thereunder.”

Shareholders of the Company (the “Shareholders”) may, however, view and listen to the EGM through a live webcast of the EGM which can be accessed by going to <https://voovmeeting.com/dm/wK3TTlmcyT8R> on a computer, tablet or any browser-enabled device. Shareholders will be able to access the live webcast at the start of the EGM until its conclusion, and submit questions during the EGM through the webcast link provided. Shareholders can also submit questions on the business of the EGM in advance to the email account ir@c-ruifeng.com. Details of accessing the live webcast of the EGM will be provided to Shareholders upon request by email to the aforementioned email address no later than 3 business days before the EGM is convened.

By Order of the Board
China Ruifeng Renewable Energy Holdings Limited
Zhang Zhixiang
Executive Director and Chief Executive Officer

Hong Kong, 29 March 2022

Principal place of business in Hong Kong:

Room 1002, 10/F
Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

Notes:

1. Shareholders who are entitled to vote at the above meeting are those whose names appear as shareholders on the register of members of the Company as at the close of business on Monday, 11 April 2022. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 11 April 2022.

NOTICE OF EGM

2. Any member of the Company entitled to attend and vote at the above meeting may appoint another person as his proxy to attend and to vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM convened by the above notice. A proxy need not be a member of the Company. The Company strongly recommends you to monitor the development of the situation with the novel coronavirus pneumonia (“**COVID-19**”) and to assess, based on the social distancing policies, the necessity for attending the above meeting in person. Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.
3. All resolutions at the EGM will be taken by way of poll pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
4. Where there are joint registered holders of any share of the Company, any one such person may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. The vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint 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.
5. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
6. A form of proxy for use at the EGM is being dispatched to the shareholders of the Company together with a copy of this notice.
7. Taking into account of the recent development of COVID-19, the Company will implement the following prevention and control measures at the EGM against the epidemic to protect the Shareholders from the risk of infection:
 - compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
 - every Shareholder or proxy is required to wear surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM and attendees should bring and wear their own masks;
 - no souvenirs will be provided at the EGM; and
 - no refreshments will be served at the EGM.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the Company’s website at www.c-ruiheng.com for further announcements and updates on the EGM arrangements.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

NOTICE OF EGM

8. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the website of the Company at www.c-ruifeng.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

As at the date of this notice, the board of directors comprises Mr. Zhang Zhixiang, Mr. Ning Zhongzhi, Mr. Li Tian Hai and Mr. Peng Ziwei as executive directors of the Company; Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin as independent non-executive directors of the Company.