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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

SETTLEMENT AGREEMENT AND PROPOSED ISSUE OF SHARES UNDER THE GENERAL MANDATE

THE SETTLEMENT AGREEMENT

On 20 October 2022 (after trading hours), the Company entered into a Settlement Agreement with SQN and SLF, pursuant to which the Company, SQN and SLF have agreed to settle and terminate the Dispute and to effect the Mutual General Releases in consideration of the Company's payment and delivery of the Settlement Consideration, including (i) the Company's payment of the First Settlement Consideration; (ii) the Company's conditional allotment and issue of Shares under the First Share Issuance at the Deemed Issue Price of HK\$0.095 per Share to SLF; and (iii) at the sole election of the Company, the Company's payment of the Second Settlement Consideration or allotment and issue of the Shares under the Second Share Issuance to SLF.

The Deemed Issue Price of HK\$0.095 per Share under the First Share Issuance represents:

- i. a premium of approximately 137.50% to the closing price of HK\$0.0400 per Share as quoted on the Stock Exchange on the date of the Settlement Agreement; and
- ii. a premium of approximately 139.90% to the average closing price of approximately HK\$0.0396 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Settlement Agreement.

The Shares under the First Share Issuance and if applicable, the Shares under the Second Share Issuance, which shall rank pari passu in all respects with the existing Shares, will be allotted and issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares under the First Share Issuance and if applicable, the Shares under the Second Share Issuance. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of all the Shares under the First Share Issuance. As such, no further Shareholders' approval is required for the allotment and issue of the Shares under the First Share Issuance.

Completion of the allotment and issue of the Shares under the First Share Issuance and if applicable, the Shares under the Second Share Issuance is subject to the satisfaction of the conditions precedent under the Settlement Agreement. As the Settlement Agreement may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SETTLEMENT AGREEMENT

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Background

As disclosed in the announcements of the Company dated 12 August 2015 and 14 January 2016, in August 2015, the Company acquired shares of Suniva, a U.S. manufacturer of solar cells and modules, pursuant to which Suniva became a joint venture of the Company upon completion of the Merger (as defined in the announcement of the Company dated 12 August 2015).

On 17 November 2015, SQN and Suniva entered into the Credit Agreement, pursuant to which SQN, as the administrative agent on behalf of certain lenders, agreed to provide the Loan to Suniva for the purchase of manufacturing equipment. SQN and Suniva executed other agreements and documents related to the Loan, including a Security Agreement, granting SQN a security interest in certain collateral which included the manufacturing equipment purchased by Suniva and certain other assets of Suniva to secure the Loan. On the same day, the Company entered into a Parent Guaranty pursuant to which the Company agreed to guarantee a portion of Suniva's obligations under the Credit Agreement, subject to the terms and conditions contained therein.

As disclosed in the announcement of the Company dated 23 March 2017 and the 2016 annual report of the Company, Suniva had been operating at a loss and experienced financial difficulty due to the fierce solar product market competition in the United States, where Suniva principally operated its business. In early 2017, SQN alleged that certain events of default had occurred under the Credit Agreement. As disclosed in the announcement of the Company dated 17 April 2017, Suniva filed a voluntary Chapter 11 petition for relief under Title 11 of the United States Code in the United States Bankruptcy Court in the District of Delaware (the “**Bankruptcy Case**”).

SQN continued to pursue its claims against Suniva in the Bankruptcy Case, and commenced an action against the Company in the Supreme Court of the State of New York, County of New York, seeking to enforce the Parent Guaranty.

Principal Terms of the Settlement Agreement

The principal terms of the Settlement Agreement are as follows:

Date: 20 October 2022

Parties: (i) the Company
(ii) SLF
(iii) SQN (as the administrative agent)

Consideration: As and for consideration for settling and termination of the Dispute and for effecting the Mutual General Releases, the Company shall pay and deliver the Settlement Consideration to SQN and SLF, as follows:

- (i) within five business days of execution and delivery of the Settlement Agreement, the Company shall pay the First Settlement Consideration in the aggregate sum of US\$3,000,000 in accordance with the terms of the Settlement Agreement, of which US\$2,547,306 shall be paid to SLF and US\$452,694 shall be paid to SQN;
- (ii) within 60 calendar days of the Effective Date, the Company shall allot and issue 100,000,000 Shares at the Deemed Issue Price of HK\$0.095 per Share to SLF, credited as fully paid up, free from all encumbrances and ranked pari passu in all respects with the Shares; and

- (iii) within 30 calendar days (the “**Second Closing Date**”) immediately following the one year anniversary of the Effective Date (the “**Benchmark Date**”), the Company shall, at its sole election, either:
- (a) pay the Second Settlement Consideration in the sum of US\$1,800,000 to SLF; or
 - (b) allot and issue Shares valued at the aggregate market value of US\$1,800,000 to SLF, such value shall be calculated at the average closing price for the one year before the Benchmark Date (provided that such price shall not represent a discount of twenty percent or more to the higher of the closing price of the Shares on the Second Closing Date and the average closing price of the Shares in the five trading days immediately prior to the Second Closing Date), credited as fully paid up, free from all encumbrances and ranked pari passu in all respects with the other Shares.

Conditions precedent: Completion of the allotment and issue of the Shares under the First Share Issuance and, if applicable, the Shares under the Second Share Issuance is conditional upon the granting of an approval for the listing and dealing of such Shares by the Stock Exchange, and such approval not subsequently being revoked prior to completion of the issue of the Shares under the First Share Issuance and, if applicable, the Shares under the Second Share Issuance.

In the event that the number of Shares under the Second Share Issuance to be issued or the aggregate number of the Shares under the First Share Issuance and the Shares under the Second Share Issuance exceeds the General Mandate or the Stock Exchange refuses to grant an approval for the listing and dealing of such Shares or revokes such approval prior to completion of the issue of the Shares under the First Share Issuance and the Shares under the Second Share Issuance, the Company shall make a cash payment of US\$1,800,000 to SLF in lieu of the allotment and issue of the Second Settlement Shares in full satisfaction of its obligations under the Settlement Agreement.

Release: On the Effective Date, the Parent Guaranty shall be terminated and the Dispute shall be discontinued, and all of the obligations of the Company arising out of or concerning the Parent Guaranty and the Dispute shall be discharged. The Company, SLF and SQN shall also release all other obligations concerning any of them arising out of or concerning the Dispute. The Mutual General Releases do not waive, release or discharge the rights or obligations of any person or entity under the Settlement Agreement, or the claims of other relevant parties against Suniva or the liquidating trust created pursuant to Suniva’s plan of reorganisation in connection with the Bankruptcy Case.

Information on SQN and SLF

According to SQN and based on publicly available information, (i) SQN is a Delaware limited liability company and is wholly owned by SQN Capital Management, LLC (“**SQN Management**”), a Delaware limited liability company which is majority owned by SQN Capital Partners, LLC (“**SQN Partners**”), a Delaware limited liability company, which is in turn wholly owned by SQN Capital Corporation (“**SQN Corporation**”), a company incorporated in Delaware; (ii) the ultimate beneficial owners of SQN Corporation are Silkowski, Jeremiah, Jude and Dell’aglio, Brandon, Matthew holding 75% and 25% in the shares of SQN Corporation, respectively; and (iii) SQN is the service company to certain portfolios which have multiple investors for SQN Management.

Based on publicly available information, (i) SLF is a registered closed-ended collective investment scheme incorporated in Guernsey, the shares of which are traded on the Main Market of the London Stock Exchange; (ii) SLF invested in one or more entities managed by SQN Management and its affiliates; and (iii) SLF directly or indirectly provided funds for the Loan to Suniva, and for advances for expenses incurred in connection with the Bankruptcy Case and the Dispute.

To the best of the knowledge, information and belief of the Directors having made all reasonable inquiries, as at the date of this announcement, each of SLF and SQN and their ultimate beneficial owners are Independent Third Parties to the Company.

The Shares under the First Share Issuance and the Second Share Issuance

The Shares under the First Share Issuance represent (i) approximately 2.01% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.97% of the issued share capital of the Company as enlarged by the allotment and issue of all the Shares under the First Share Issuance. The Company will make a further announcement if the Company elects to issue the Shares under the Second Share Issuance instead of paying the Second Settlement Consideration.

Deemed Issue Price

The Deemed Issue Price of HK\$0.095 per Share under the First Share Issuance represents: (i) a premium of approximately 137.5% to the closing price of HK\$0.0400 per Share as quoted on the Stock Exchange on the date of the Settlement Agreement; and (ii) a premium of approximately 139.90% to the average closing price of approximately HK\$0.0396 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Settlement Agreement.

The Deemed Issue Price was arrived after arm's length negotiation between the Company, SLF and SQN with reference to the market condition, the prevailing market price and the par value of the Shares. The Directors consider that the Deemed Issue Price and the terms of the Settlement Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

General Mandate to issue the Shares under the First Share Issuance

The Shares under the First Share Issuance will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 996,475,098 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of all the Shares under the First Share Issuance. As such, the issue of the Shares under the First Share Issuance is not subject to further Shareholders' approval.

Ranking and application for listing

The Shares under the First Share Issuance will be issued under the General Mandate. The Shares under the First Share Issuance and, if applicable, the Shares under the Second Share Issuance will rank pari passu in all respects among themselves and with the existing Shares in issue on the date of completion of the issue of the Shares under the First Share Issuance and the Second Share Issuance (if applicable). Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares under the First Share Issuance and if applicable, the Shares under the Second Share Issuance.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

There has not been any other equity fund raising exercise made by the Company in the 12 months immediately preceding the date of this announcement.

CHANGES TO THE SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, the shareholding structure of the Company immediately before and immediately after completion of the issue of the Shares under the First Share Issuance are set out as follows (assuming there is no other change to the share capital of the Company other than the issue of the Shares under the First Share Issuance):

Shareholders	As at the date of this announcement		Immediately after completion of the issue of Shares under the First Share Issuance	
	No. of shares	% of shareholding (approximately)	No. of shares	% of shareholding (approximately)
Peace Link Services Limited (Note 1)	1,241,234,101 (long position)	24.91%	1,241,234,101 (long position)	24.42%
Asia Pacific Resources Development Investment Limited (Note 2)	75,557,191 (long position)	1.52%	75,557,191 (long position)	1.49%
Mr. Cheng Kin Ming (Note 3)	3,452,000 (long position)	0.07%	3,452,000 (long position)	0.07%
Coherent Gallery International Limited (Note 4)	242,967,960 (long position)	4.88%	242,967,960 (long position)	4.78%
Mr. Tang Guoqiang (Note 5)	150,000,938 (long position)	3.01%	150,000,938 (long position)	2.95%
Public	3,269,163,300	65.61%	3,269,163,300	64.32%
SLF	—	—	100,000,000	1.97%
	<u>4,982,375,490</u>	<u>100%</u>	<u>5,082,375,490</u>	<u>100%</u>

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 30 June 2022, 1,085,028,449 Shares were allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company. As at the date of this announcement, Peace Link Services Limited held 1,241,234,101 shares in its personal capacity.
2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited, and therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in the Shares held by Peace Link Services Limited for the purpose of the SFO. As at the date of this announcement, Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.
3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in the Shares held by Asia Pacific Resources Development Investment Limited and Peace Link Services Limited. As at the date of this announcement, Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.
4. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang. As at the date of this announcement, Coherent Gallery International Limited held 242,967,960 Shares in its personal capacity.
5. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in the Shares held by Coherent Gallery International Limited for the purposes of the SFO. As at the date of this announcement, Mr. Tang Guoqiang held 150,000,938 Shares in his personal capacity.

REASONS FOR AND BENEFITS OF THE SETTLEMENT AGREEMENT

The Group engages one segment of solar power generation in the PRC, which are mainly located in Xinjiang, Shandong and Jiangsu of the PRC. Suniva, which is owned as to 63.13% by the Group, principally engaged in the manufacturing and sales of solar products in the United States and is accounted for as a joint venture of the Group.

As of the date of this announcement, the Dispute has not been resolved and the Company has suffered from the legal proceedings in connection with the Dispute. Upon negotiation with SQN and SLF and taking into consideration the financial status of the Company and the Bankruptcy Case, the Company is of the view that entering into the Settlement Agreement allows the Company to be released from its obligations arising out of the Dispute and to resolve the Dispute in an amicable and efficient manner without incurring additional and unnecessary time, costs and effort, which may bring further adverse impact on the Company. The Settlement Agreement was arrived at after arm's length negotiations between the Company, SQN and SLF.

FINANCIAL EFFECTS OF THE SETTLEMENT AGREEMENT

For illustrative purpose, with reference to the interim condensed consolidated financial statements in the 2022 interim report of the Company, the Company recognised the provision amount on financial guarantee of approximately RMB208 million in relation to the Parent Guaranty. On the Effective Date, it is estimated that the Group will record an unaudited gain on reversal of the provision amount on financial guarantee of approximately RMB170 million, which is subject to the final audit to be performed by the auditors of the Company.

The Directors consider that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion of the allotment and issue of the Shares under the First Share Issuance and if applicable, the Shares under the Second Share Issuance is subject to the satisfaction of the conditions precedent under the Settlement Agreement. As the Settlement Agreement may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the annual general meeting of the Company held on 17 June 2022
“Board”	the Board of the Directors
“Company”	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Credit Agreement”	the credit agreement entered into by SQN and Suniva on 17 November 2015, pursuant to which SQN, as administrative agent on behalf of certain lenders, agreed to provide the Loan to Suniva for the purchase of manufacturing equipment
“Deemed Issue Price”	HK\$0.095 per Share under the First Share Issuance
“Delaware”	The State of Delaware of the United States
“Director(s)”	director(s) of the Company

“Dispute”	the action commenced by SQN against the Company in the Supreme Court of the State of New York, County of New York entitled SQN Asset Servicing LLC v. Shunfeng International Clean Energy Ltd., Index No. 652604/2017 to enforce the Parent Guaranty and other related claims and counterclaims arising out of or relating to the Credit Agreement and the Loan and any documents executed in connection therewith and together with all claims, counterclaims and defenses arising out of or relating to the business relationship of the Company with Suniva or SQN, the lenders under the Credit Agreement and SLF
“Effective Date”	the later of the date on which each of the Company, SQN and SLF has executed and delivered a copy of the Settlement Agreement to the respective counsel of the Company, SQN and SLF, and the First Settlement Consideration is received in the accounts designated by SLF and SQN as stipulated in the Settlement Agreement
“First Settlement Consideration”	the aggregate cash consideration of US\$3,000,000 to be paid by the Company to SLF and SQN in accordance with the terms of the Settlement Agreement, in which the Company shall pay to SLF the amount of US\$2,547,306 and to SQN the amount of US\$452,694
“First Share Issuance”	100,000,000 Shares at the Deemed Issue Price to be issued by the Company to SLF in accordance with the terms of the Settlement Agreement
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the AGM, pursuant to which a maximum of 996,475,098 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party who is independent of, and not connected with the Directors, chief executive or substantial shareholders of each of the Company, its subsidiaries and their respective associates, in accordance with the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan up to US\$50 million provided by SQN, as administrative agent on behalf of certain lenders, to Suniva under the Credit Agreement for the purchase of manufacturing equipment
“Mutual General Releases”	the mutual general releases by the Company, SQN and SLF in accordance with the terms of the Settlement Agreement, which includes the release of all of the obligations of the Company arising out of or concerning the Parent Guaranty and Dispute and the release of all other obligations concerning the Company, SQN and SLF arising out of or concerning the Dispute, subject to certain limitations as set out in the Settlement Agreement
“Parent Guaranty”	the parent guaranty dated 17 November 2015 entered into by the Company, under which the Company agreed to guarantee a portion of Suniva’s obligations under the Credit Agreement, subject to the terms and conditions contained therein
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Second Settlement Consideration”	the cash consideration of US\$1,800,000 to be paid by the Company to SLF in accordance with the terms of the Settlement Agreement
“Second Share Issuance”	Shares valued at the aggregate market value of US\$1,800,000 to be issued by the Company to SLF in accordance with the terms of the Settlement Agreement
“Security Agreement”	the security agreement dated 17 November 2015 entered into by SQN and Suniva in relation to the Loan, granting SQN a security interest on certain assets of Suniva to secure the Loan
“Settlement Agreement”	the Settlement Agreement dated 20 October 2022 and entered into between the Company, SQN and SLF in relation to the agreement to settle and terminate the Dispute and to effect the Mutual General Releases, subject to certain terms and conditions therein
“Settlement Consideration”	collectively, the First Settlement Consideration, the First Share Issuance and the Second Settlement Consideration or the Second Share Issuance, where applicable

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SLF”	SLF Realisation Fund Limited (formerly known as KKV Secured Loan Fund Limited and SQN Asset Finance Income Fund Limited), a registered closed-ended collective investment scheme incorporated in Guernsey, the shares of which are traded on the Main Market of the London Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SQN”	SQN Asset Servicing, LLC, a Delaware limited liability company
“subsidiary(ies)”	subsidiary(ies) of the Company
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Suniva”	Suniva Inc., a company incorporated in the state of Delaware and held as to 63.13% by the Group
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollar(s), the lawful currency of the United States
“%”	per cent

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

Hong Kong, 21 October 2022

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