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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES**

THE DISPOSAL

The Board is pleased to announce that on 18 December 2017 (Greenwich Mean Time), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company entered into the Sale and Purchase Agreement in relation to the Disposal, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target, and all liabilities as at the Locked Box Date for a total consideration of GBP21,955,515.64, subject to reduction. Completion of the Disposal shall take place immediately after signing of the Sale and Purchase Agreement. Upon Completion, the Target shall cease to be a subsidiary of the Group and the Group shall cease to hold any equity interests in the Target. Accordingly, the financial results of Target will cease to be consolidated into those of the Group.

LISTING RULES IMPLICATIONS

As the Disposal and the Previous Disposal (details of which are set out below in this announcement) were both entered into with the Purchaser within a 12-month period prior to and inclusive of the date of the Sale and Purchase Agreement, the Disposal and the Previous Disposal are aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal (when aggregated with the Previous Disposal) exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

BACKGROUND

The Board is pleased to announce that on 18 December 2017 (Greenwich Mean Time), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company entered into the Sale and Purchase Agreement in relation to the Disposal, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target and all liabilities as at the Locked Box Date for a total consideration of GBP21,955,515.64, subject to reduction.

Upon Completion, the Target shall cease to be a subsidiary of the Group and the Group shall cease to hold any equity interests in the Target. Accordingly, the financial results of Target will cease to be consolidated into those of the Group.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

18 December 2017 (Greenwich Mean Time)

Parties

- (1) Vendor: SF Power Plant 1 Ltd
- (2) Purchaser: RI Income UK Holdings Limited
- (3) Guarantor: the Company

Immediately before the Completion, the Target is owned as to 100% by the Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of, and not connected with the Company and its connected persons as at the date of this announcement.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target, which is legally and beneficially owned by the Vendor, free from all encumbrances and together with all rights and benefits attaching to the Sale Share with as at Completion.

Consideration

The total consideration for the Disposal is GBP21,955,515.64 (subject to reduction as set out below), which consists of the following:

- (a) the initial consideration (the “**Initial Consideration**”) in an amount of GBP21,921,292 less (i) certain outstanding indebtedness payable by the Target in an aggregate amount of GBP19,077,697.76; (ii) the aggregate amount of GBP105,048.51 payable by each of the Target and Pencoose for the period commencing from 1 April 2017 up to the Completion (in respect of the Target) and to 7 July 2017 (in respect of Pencoose) to Cornwall Council as set out in the business rates invoices issued by Cornwall Council to each of the Target and Pencoose; (iii) an amount of GBP120,000 payable by the Target to the landlord of the Target as stipulated in a settlement letter between the Target and such landlord; and (iv) an amount of GBP2,000,000 withheld for the purpose of satisfying part of the Deferred Consideration (as defined below);
- (b) a first deferred consideration (the “**First Deferred Consideration**”) in an amount of GBP30,000, subject to a reduction of such amount payable by the Target to a technical adviser of the Target for a period commencing from the date of invoice issued by such technical adviser up to the date of Completion (save that the First Deferred Consideration shall not be deemed to fall below zero); and
- (c) a second deferred consideration (the “**Second Deferred Consideration**”, and together with the First Deferred Consideration, the “**Deferred Consideration**”) in an aggregate amount of GBP2,004,223.64, subject to a reduction of an amount equal to such amount by which the total loss reasonably incurred by either the Target or the Purchaser in connection with the remediation works as stipulated in the EPC Contract exceeds a stipulated payment payable by the Target to the EPC Contractor (save that the Second Deferred Consideration shall not be deemed to fall below zero).

The above total consideration may be further reduced by an amount equal to the aggregate amount (if any) payable by the Vendor to the Purchaser under or pursuant to all applicable claims (including claims for breach of warranties, including warranties relating to tax and title) as stipulated in the Sale and Purchase Agreement (together, the “**Claims**”), provided that total consideration shall not be deemed to be reduced below zero.

The total consideration shall be satisfied in the following manner:

- (a) the Initial Consideration will be paid by the Purchaser to the Vendor on Completion in cash by electronic transfer in immediately available funds to the bank account of the Vendor’s solicitors;
- (b) the First Deferred Consideration, subject to any reduction as described above, will be paid by the Purchaser to the Vendor in cash by electronic transfer in immediately available funds to the bank account of the Vendor’s solicitors, on the date falling 15 business days following the issue of the invoice by such technical adviser up to the date of Completion; and

- (c) the Second Deferred Consideration, subject to any reduction as described above, will be paid by the Purchaser to the Vendor in cash by electronic transfer in immediately available funds to the bank account of the Vendor's solicitors, on the date falling 15 business days following the satisfaction of all the following conditions, being either:
- (i) in the event the EPC Contractor has completed the relevant remediation works as stipulated under the EPC Contract on or prior to 31 March 2018:
 - (1) a deed of release and discharge in accordance with the EPC Contract having been duly executed by the EPC Contractor and the Target;
 - (2) a final acceptance certificate and a remediation works acceptance certificate as stipulated in the EPC Contract having been issued in accordance with the EPC Contract; and
 - (3) the executed remediation works warranty bond in accordance with the EPC Contract having been delivered to the Target; or
 - (ii) in the event the EPC Contractor has not completed relevant remediation works as stipulated under the EPC Contract on or prior to 31 March 2018, such remediation works having been completed to the reasonable satisfaction of the Purchaser.

The Consideration was determined based on the private bid (the "**Bid**") made by the Purchaser for the Target. The Vendor selected the Purchaser after launching a competitive bidding process for the Target as well as for First Solar. The Vendor selected the Purchaser after due and careful evaluation by taking into account, among others, (i) the bidding price offered; (ii) the financial position of the bidders; and (iii) the technical capability and experience of the bidders to complete the Disposal. The Vendor decided to grant exclusivity to the Purchaser to proceed with the Disposal after considering the above factors, in particular, considering that it offered the highest offer price among the bids received. The total consideration represents a premium of approximately GBP2.6 million (representing approximately 12.8%) over the total asset value of the Target as at 31 December 2016 based on the audited accounts of the Target.

Completion

Completion shall take place immediately after the signing of the Sale and Purchase Agreement. Upon Completion, the Target shall cease to be a subsidiary of the Group and the Group shall cease to hold any equity interests in the Target.

Guarantee

The Company, as the guarantor, undertakes to the Purchaser under the Sale and Purchase Agreement to procure the full and prompt performance of the Vendor of all its obligations and liabilities under or in respect of the Sale and Purchase Agreement and all other documents entered into in connection with the Sale and Purchase Agreement.

THE PREVIOUS DISPOSAL

On 7 July 2017, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company entered into the Previous Agreement in relation to the Previous Disposal, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of First Solar, for a consideration of GBP9,749,829.07. First Solar is principally engaged in the operation and management of a power plant in Pencoose Farm, Lower Trewithen, Stithians, Truro, Cornwall, the United Kingdom. The Previous Disposal was completed on 7 July 2017 immediately after signing of the Previous Agreement. Upon completion of the Previous Disposal, First Solar ceased to be a subsidiary of the Group and the Group ceased to hold any equity interests in First Solar. Accordingly, the financial results of First Solar ceased to be consolidated into those of the Group. The Previous Disposal itself did not constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board believed that the Disposal contemplated under the Sale and Purchase Agreement conforms to the prescribed operating strategies of the Group as a whole and will bring the following benefits:

As a leading developer of solar power plants around the globe and the largest independent private largescale ground-mounted solar power service provider in PRC, the Company has developed solar power plants and completed on-grid connection with capacity of 1.5GW in the PRC. In its early stage of development, the Company makes it an operating strategy that solar power plants would grow as a category of products generating fixed incomes and would continue with further development. With the market position secured in the past few years and the experience and expertise in the development, operation and maintenance of solar power plants, the Company now puts more emphasis on overall efficiency and the revenues generated from the operation and maintenance of solar power plants. The Company therefore disposes in an appropriate manner some part of its power plant assets to selected investors, while continuing with its business of developing and constructing solar power plants. Such a move provides more cash income to the Company and enables the Company to provide the new operators of the solar power plants with professional operation and maintenance services on an ongoing basis, helping it to realize the strategic transition of owning less assets and putting more emphasis on providing services.

The Directors considered that the terms of the Sale and Purchase Agreement (including the Consideration) and the Disposal contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Following Completion, the Target will cease to be a subsidiary of the Company and the financial results of Target will cease to be consolidated into those of the Group. The actual financial effects from the Sale and Purchase Agreement will be computed based on the financial information of the Target on the payment date of the Initial Consideration.

It is estimated that there is an estimated gain after tax of approximately HK\$13.5 million (being approximately GBP1.3 million) arising from the Disposal based on the total consideration for the Disposal, the net liabilities value attributable to owners of the Target of approximately HK\$5.7 million (being GBP544,712.10) as at the Locked Box Date, net of estimated taxes and transaction costs of approximately HK\$6.2 million (being approximately GBP0.6 million including legal costs and success-based commission fee) for the Disposal. For the purpose of the above indicative calculation only, amounts stated in British pound sterling has been converted into Hong Kong dollar amounts at GBP1=HK\$10.40, being the exchange rate prevailing on 18 December 2017. No representation is made that GBP amounts have been, could have been or could be converted to HK\$, or vice versa, at the applied or at any other rates or at all.

The actual gain or loss that the Company can realise will depend on the actual net assets value attributable to owners of the Company on the date of Completion. It is expected that the Disposal will increase the equity attributable to owners of the Company due to the aforesaid estimated gain from the Disposal and improve the net debt to equity attributable to owners of the Company.

The Company intends to use the proceeds received from the Disposal for general working capital as well as for future opportunities that may arise.

INFORMATION ON THE TARGET

The Target is incorporated in England and Wales with limited liability and is wholly owned by the Vendor. The Target is principally engaged in the operation and management of a power plant in Newton Barton Farm, Callington, Cornwall, the United Kingdom.

According to the audited financial statements for the year ended 31 December 2015 and for the year ended 31 December 2016 of the Target prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The net assets and total assets of the Target as at 31 December 2015 are GBP512,082 and GBP19,742,405, respectively. Furthermore, the net liabilities and total assets of the Target as at 31 December 2016 are GBP473,197 and GBP20,112,360, respectively.

Further, based on the audited financial statements of the Target, the net profit of the Target for the two financial years ended 31 December 2015 and 31 December 2016, respectively, are as follows:

	For the year ended 31 December 2015 (audited) GBP	For the year ended 31 December 2016 (audited) GBP
Net profit/(loss) before tax	678,228	(1,200,379)
Net profit/(loss) after tax	513,832	(985,279)

INFORMATION ON THE GROUP AND THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Group and the Company

The Company strives to become the world's largest provider of comprehensive low-carbon and energy-saving solutions. Via strategic acquisition, consolidation and restructuring, the Group owns numerous renowned product and technology brand names. The Group makes constant efforts to improve energy production quality, and endeavours to advance the widespread utilization of clean energies through energy management and storage. The Group aims to offer a whole set of clean energy solution to public and commercial institutions, such as commercial facilities, data centres, hotels, large public facilities, industrial enterprises, office buildings, schools, hospitals, gymnasiums and households, saving energy consumption by 50% to 70% and helping customers reduce carbon emission and cut down costs related to energy consumption.

The Vendor

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding which owns the entire issued share capital of the Target.

The Purchaser

RI Income UK Holdings Limited is a company registered in England and Wales and was established as a vehicle to provide investment into renewable power assets in the United Kingdom through equity and debt instruments, focusing on acquiring wind and solar power projects.

LISTING RULES IMPLICATIONS

As the Disposal and the Previous Disposal were both entered into with the Purchaser within a 12-month period prior to and inclusive of the date of the Sale and Purchase Agreement, the Disposal and the Previous Disposal are aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal (when aggregated with the Previous Disposal) exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares subject to such terms as set out in the Sale and Purchase Agreement
“EPC Contract”	an engineering, procurement and construction contract dated 15 January 2015 entered into between the EPC Contractor and the Target as amended by the parties thereto by a deed of amendment
“EPC Contractor”	Ralos new energy UK Limited
“First Solar”	First Solar Project Limited, a private company incorporated in England and Wales with limited liability
“GBP”	British pounds sterling, the official currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Locked Box Date”	30 September 2017
“Pencoose”	Pencoose Solar Limited, a limited company registered in England and Wales, which is principally engaged in the operation and management of the power plant previously owned by First Solar

“percentage ratio(s)”	has the meaning ascribed to such term under the Listing Rules
“PRC”	the People’s Republic of China
“Previous Agreement”	the agreement entered into between the Vendor, the Purchaser and the Company dated 7 July 2017 in respect of, among other things, the sale and purchase of the entire issued share capital of First Solar
“Previous Disposal”	the disposal of the entire issued share capital of First Solar in accordance of the terms as set out in the Previous Agreement
“Purchaser”	RI Income UK Holdings Limited, a company registered in England and Wales
“Sale and Purchase Agreement”	the agreement entered into between the Vendor, the Purchaser and the Company dated 18 December 2017 (Greenwich Mean Time) in respect of, among other things, the sale and purchase of the Sale Shares
“Sale Shares”	100 ordinary shares of GBP1.00 each of the Target, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Tenth Solar Project Limited, a private company incorporated in England and Wales with limited liability
“Vendor”	SF Power Plant 1 Ltd, a company registered in England and Wales with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board of
Shunfeng International Clean Energy Limited
Zhang Fubo
Chairman

Hong Kong, 19 December 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Fubo, Mr. Wang Yu, 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.